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ANNUAL STATEMENT

For the Year Ended December 31, 2012

of the Condition and Affairs of the

BLUE CROSS BLUE SHIELD OF MICHIGAN

NAIC Group Code.....572, 572 (Current Period) (Prior Period) NAIC Company Code..... 54291 Employer's ID Number..... 38-2069753

Organized under the Laws of Michigan State of Domicile or Port of Entry Michigan Country of Domicile

Licensed as Business Type.....Hospital, Medical & Dental Service or Indemnity Is HMO Federally Qualified? Yes [ ] No [X]

Incorporated/Organized..... February 1, 1975 Commenced Business..... January 1, 1975

Statutory Home Office	600 Lafayette East….. Detroit ..... MI ..... …. 48226 *(Street and Number) (City or Town, State and Zip Code)*	
Main Administrative Office	600 Lafayette East….. Detroit ..... MI ..... …. 48226 *(Street and Number) (City or Town, State and Zip Code)*	*(Area Code) (Telephone Number)*
Mail Address	600 Lafayette East….. Detroit ..... MI ..... …. 48226 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	600 Lafayette East….. Detroit ..... MI ..... …. 48226 *(Street and Number) (City or Town, State and Zip Code)*	*(Area Code) (Telephone Number)*
Internet Web Site Address	http://bcbsm.com/	
Statutory Statement Contact	Kenneth A. Bluhm *(Name)*	313-225-9095 *(Area Code) (Telephone Number) (Extension)*
	kbluhm@bcbsm.com *(E-Mail Address)*	800-556-4348 *(Fax Number)*

OFFICERS

Name	Title	Name	Title
1. DANIEL J. LOEPP	President and CEO	2. MARK R. BARTLETT	Executive Vice President and CFO
3. CAROLYNN WALTON	Vice President and Treasurer	4. TRICIA A. KEITH	SVP Corporate Secretary & Services

OTHER

ELIZABETH R. HAAR	Senior Vice President	ROBERT MILEWSKI	Senior Vice President
JOSEPH H. HOHNER	Executive Vice President	THOMAS L. SIMMER MD	Senior Vice President
SUSAN L. BARKELL	Senior Vice President	KENNETH R. DALLAFIOR	Executive Vice President
DARRELL E. MIDDLETON	Executive Vice President	LYNDA M. ROSSI	Senior Vice President

DIRECTORS OR TRUSTEES

State of...Michigan.....
County of.....Wayne

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
DANIEL J. LOEPP	MARK R. BARTLETT	CAROLYNN WALTON
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President and CEO	Executive Vice President and CFO	Vice President and Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me
This ________ day of ______________ 2013

a. Is this an original filing? Yes [X] No [ ]
b. If no
1. State the amendment number ________
2. Date filed ________
3. Number of pages attached ________

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	3,217,026,015		3,217,026,015	3,120,351,380
2. Stocks (Schedule D):				
2.1 Preferred stocks	11,973,420		11,973,420	1,936,632
2.2 Common stocks	2,332,481,238		2,332,481,238	1,986,117,475
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	4,250,000		4,250,000	
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $..........0 encumbrances)	144,023,412		144,023,412	144,307,902
4.2 Properties held for the production of income (less $..........0 encumbrances)			0	
4.3 Properties held for sale (less $..........0 encumbrances)			0	8,600,621
5. Cash ($.....(96,946,788), Schedule E-Part 1), cash equivalents ($.....39,999,111, Schedule E-Part 2) and short-term investments ($.....571,816,412, Schedule DA)	514,868,735		514,868,735	461,312,564
6. Contract loans (including $..........0 premium notes)			0	
7. Derivatives (Schedule DB)			0	
8. Other invested assets (Schedule BA)	284,518,884		284,518,884	258,240,403
9. Receivables for securities	498,052		498,052	472,570
10. Securities lending reinvested collateral assets (Schedule DL)	17,620,770		17,620,770	27,654,579
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	6,527,260,526	0	6,527,260,526	6,008,994,126
13. Title plants less $..........0 charged off (for Title insurers only)			0	
14. Investment income due and accrued	27,572,395	26,655	27,545,740	29,964,313
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	48,194,147		48,194,147	117,195,000
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $..........0 earned but unbilled premiums)			0	
15.3 Accrued retrospective premiums			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers			0	
16.2 Funds held by or deposited with reinsured companies			0	
16.3 Other amounts receivable under reinsurance contracts			0	
17. Amounts receivable relating to uninsured plans	143,698,557	535,334	143,163,223	80,417,630
18.1 Current federal and foreign income tax recoverable and interest thereon			0	10,553,783
18.2 Net deferred tax asset	99,855,251		99,855,251	103,627,718
19. Guaranty funds receivable or on deposit			0	
20. Electronic data processing equipment and software	272,429,615	234,395,513	38,034,102	23,060,645
21. Furniture and equipment, including health care delivery assets ($..........0)	10,522,107	10,522,107	0	
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	
23. Receivables from parent, subsidiaries and affiliates	100,963,203		100,963,203	88,506,933
24. Health care ($.....107,806,845) and other amounts receivable	121,091,750	2,828,817	118,262,933	130,660,127
25. Aggregate write-ins for other than invested assets	403,274,435	37,107,568	366,166,867	368,594,985
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	7,754,861,986	285,415,994	7,469,445,992	6,961,575,260
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
28. TOTALS (Lines 26 and 27)	7,754,861,986	285,415,994	7,469,445,992	6,961,575,260
DETAILS OF WRITE-INS				
1101.			0	
1102.			0	
1103.			0	
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0
2501. Miscellaneous Accounts Receivable	13,480,880	13,480,880	0	
2502. Prepaid and Other Assets	10,004,542	10,004,542	0	
2503. Interim Receivable from Providers	379,725,393	13,558,526	366,166,867	368,594,985
2598. Summary of remaining write-ins for Line 25 from overflow page	63,620	63,620	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	403,274,435	37,107,568	366,166,867	368,594,985

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less $..........0 reinsurance ceded)	604,668,496		604,668,496	550,016,080
2.	Accrued medical incentive pool and bonus amounts	29,681,987		29,681,987	27,300,811
3.	Unpaid claims adjustment expenses	86,574,329		86,574,329	74,008,263
4.	Aggregate health policy reserves, including the liability of $..........0 for medical loss ratio rebate per the Public Health Service Act	765,363,027		765,363,027	860,916,826
5.	Aggregate life policy reserves			0	
6.	Property/casualty unearned premium reserve			0	
7.	Aggregate health claim reserves			0	
8.	Premiums received in advance	3,482,088		3,482,088	5,203,048
9.	General expenses due or accrued	279,949,812		279,949,812	219,330,523
10.1	Current federal and foreign income tax payable and interest thereon (including $..........0 on realized capital gains (losses))	14,848,791		14,848,791	
10.2	Net deferred tax liability			0	
11.	Ceded reinsurance premiums payable	1,739,898		1,739,898	1,739,898
12.	Amounts withheld or retained for the account of others	18,002,020		18,002,020	19,630,158
13.	Remittances and items not allocated	9,731,988		9,731,988	12,774,095
14.	Borrowed money (including $..........0 current) and interest thereon $.....828,407 (including $..........0 current)	1,061,956,761		1,061,956,761	1,098,570,405
15.	Amounts due to parent, subsidiaries and affiliates	50,367,059		50,367,059	51,755,461
16.	Derivatives			0	
17.	Payable for securities	2,075,299		2,075,299	49,904
18.	Payable for securities lending	17,620,770		17,620,770	27,654,579
19.	Funds held under reinsurance treaties with ($..........0 authorized reinsurers, $..........0 unauthorized and $..........0 certified reinsurers)			0	
20.	Reinsurance in unauthorized and certified ($..........0) companies			0	
21.	Net adjustments in assets and liabilities due to foreign exchange rates			0	
22.	Liability for amounts held under uninsured plans	403,635,567		403,635,567	218,380,702
23.	Aggregate write-ins for other liabilities (including $..........0 current)	1,059,150,833	0	1,059,150,833	1,004,592,555
24.	Total liabilities (Lines 1 to 23)	4,408,848,725	0	4,408,848,725	4,171,923,308
25.	Aggregate write-ins for special surplus funds	XXX	XXX	0	0
26.	Common capital stock	XXX	XXX		
27.	Preferred capital stock	XXX	XXX		
28.	Gross paid in and contributed surplus	XXX	XXX		
29.	Surplus notes	XXX	XXX		
30.	Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31.	Unassigned funds (surplus)	XXX	XXX	3,060,597,267	2,789,651,952
32.	Less treasury stock at cost:				
	32.1 .....0.000 shares common (value included in Line 26 $..........0)	XXX	XXX		
	32.2 .....0.000 shares preferred (value included in Line 27 $..........0)	XXX	XXX		
33.	Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	3,060,597,267	2,789,651,952
34.	Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	7,469,445,992	6,961,575,260

DETAILS OF WRITE-INS

2301.	Postretirement Liabilities	810,420,225		810,420,225	769,925,741
2302.	Liability for Uncashed Checks	8,705,526		8,705,526	11,347,869
2303.	Interim Payable to Providers	111,270,274		111,270,274	131,979,820
2398.	Summary of remaining write-ins for Line 23 from overflow page	128,754,808	0	128,754,808	91,339,125
2399.	Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	1,059,150,833	0	1,059,150,833	1,004,592,555
2501.		XXX	XXX		
2502.		XXX	XXX		
2503.		XXX	XXX		
2598.	Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599.	Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	XXX	XXX	0	0
3001.		XXX	XXX		
3002.		XXX	XXX		
3003.		XXX	XXX		
3098.	Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099.	Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member months	XXX	17,796,250	17,946,160
2. Net premium income (including $..........0 non-health premium income)	XXX	6,319,342,469	6,439,147,298
3. Change in unearned premium reserves and reserve for rate credits	XXX	58,910,622	(43,749,540)
4. Fee-for-service (net of $..........0 medical expenses)	XXX		
5. Risk revenue	XXX		
6. Aggregate write-ins for other health care related revenues	XXX	34,432,084	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	6,412,685,175	6,395,397,758
Hospital and Medical:			
9. Hospital/medical benefits		4,581,182,879	4,547,485,953
10. Other professional services		100,049,300	103,071,096
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs		868,739,945	861,558,346
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts		48,895,114	44,730,011
16. Subtotal (Lines 9 to 15)	0	5,598,867,238	5,556,845,406
Less:			
17. Net reinsurance recoveries			278,423
18. Total hospital and medical (Lines 16 minus 17)	0	5,598,867,238	5,556,566,983
19. Non-health claims (net)			
20. Claims adjustment expenses, including $.....144,446,522 cost containment expenses		340,387,526	301,665,387
21. General administrative expenses		731,052,409	649,105,046
22. Increase in reserves for life and accident and health contracts including $..........0 increase in reserves for life only)		(36,643,753)	(63,103,000)
23. Total underwriting deductions (Lines 18 through 22)	0	6,633,663,420	6,444,234,416
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	(220,978,245)	(48,836,658)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		158,127,747	163,500,136
26. Net realized capital gains or (losses) less capital gains tax of $.....30,403,783		94,722,072	35,820,946
27. Net investment gains or (losses) (Lines 25 plus 26)	0	252,849,819	199,321,082
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $..........0) (amount charged off $..........0)]			
29. Aggregate write-ins for other income or expenses	0	(268,260)	(36,115,603)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	31,603,315	114,368,821
31. Federal and foreign income taxes incurred	XXX	34,152,745	74,357,413
32. Net income (loss) (Lines 30 minus 31)	XXX	(2,549,430)	40,011,408

DETAILS OF WRITE-INS

0601. Michigan Claims Tax	XXX	34,432,084	
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	34,432,084	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	0	0
2901. Miscellaneous Income		(268,260)	(36,115,603)
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	(268,260)	(36,115,603)

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	2,789,651,952	2,759,467,557
34. Net income or (loss) from Line 32	(2,549,430)	40,011,408
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains and (losses) less capital gains tax of $.........0	281,899,223	75,558,503
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	29,300,098	76,748,682
39. Change in nonadmitted assets	7,713,918	(192,897,813)
40. Change in unauthorized and certified reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus	(45,418,494)	30,763,615
48. Net change in capital and surplus (Lines 34 to 47)	270,945,315	30,184,395
49. Capital and surplus end of reporting period (Line 33 plus 48)	3,060,597,267	2,789,651,952

DETAILS OF WRITE-INS

4701. Additional Pension Liability	(45,418,494)	(24,661,419)
4702. Admitted DTA's due to SSAP 10R		55,425,034
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	(45,418,494)	30,763,615

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	6,386,622,362	6,413,494,339
2. Net investment income	132,799,496	155,326,157
3. Miscellaneous income	34,432,084	
4. Total (Lines 1 through 3)	6,553,853,942	6,568,820,496
5. Benefit and loss related payments	5,531,858,794	5,611,823,342
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	758,041,284	719,466,004
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of $..........0 tax on capital gains (losses)	39,153,954	(49,194,201)
10. Total (Lines 5 through 9)	6,329,054,032	6,282,095,145
11. Net cash from operations (Line 4 minus Line 10)	224,799,911	286,725,351
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	5,215,342,978	6,451,016,856
12.2 Stocks	210,230,888	382,836,696
12.3 Mortgage loans		
12.4 Real estate	8,408,326	
12.5 Other invested assets	1,403,131	7,033,162
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	10,207	(41,365)
12.7 Miscellaneous proceeds	12,059,204	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	5,447,454,734	6,840,845,349
13. Cost of investments acquired (long-term only):		
13.1 Bonds	5,248,105,260	6,421,639,113
13.2 Stocks	237,131,365	330,015,726
13.3 Mortgage loans		
13.4 Real estate	12,668,441	18,875,760
13.5 Other invested assets	35,939,401	220,550,916
13.6 Miscellaneous applications	25,482	2,530,148
13.7 Total investments acquired (Lines 13.1 to 13.6)	5,533,869,949	6,993,611,663
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14)	(86,415,215)	(152,766,314)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds	(36,624,761)	404,362,533
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(48,203,764)	(193,766,331)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(84,828,525)	210,596,202
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	53,556,171	344,555,239
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	461,312,564	116,757,325
19.2 End of year (Line 18 plus Line 19.1)	514,868,735	461,312,564

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plans	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Net premium income	6,319,342,469	4,295,905,842	305,081,866	100,885,346	18,543,558	373,858,968	885,234,016		339,832,873	
2. Change in unearned premium reserves and reserve for rate credit	58,910,622	53,915,464	144,494	(1,111,100)	(252,369)	5,611,134	602,999			
3. Fee-for-service (net of $..........0 medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	34,432,084	29,757,077	3,952,624	616,763	105,620	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	6,412,685,175	4,379,578,383	309,178,984	100,391,009	18,396,809	379,470,102	885,837,015	0	339,832,873	0
8. Hospital/medical benefits	4,581,182,879	2,982,415,736	460,094,533			273,102,009	702,016,199		163,554,402	XXX
9. Other professional services	100,049,300	638,482		79,841,093	13,393,790	2,802,144	3,373,791			XXX
10. Outside referrals	0									XXX
11. Emergency room and out-of-area	0									XXX
12. Prescription drugs	868,739,945	660,267,424				75,651,867	68,367,143		64,453,511	XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	48,895,114	48,895,114								XXX
15. Subtotal (Lines 8 to 14)	5,598,867,238	3,692,216,756	460,094,533	79,841,093	13,393,790	351,556,020	773,757,133	0	228,007,913	XXX
16. Net reinsurance recoveries	0									XXX
17. Total hospital and medical (Lines 15 minus 16)	5,598,867,238	3,692,216,756	460,094,533	79,841,093	13,393,790	351,556,020	773,757,133	0	228,007,913	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including $.....144,446,522 cost containment expenses	340,387,526	275,901,381	18,851,484	6,324,357	1,158,948	9,745,860	25,734,288		2,671,208	
20. General administrative expenses	731,052,409	592,555,114	40,487,450	13,582,861	2,489,080	20,931,245	55,269,690		5,736,969	
21. Increase in reserves for accident and health contracts	(36,643,753)	(68,162,408)	32,704,157	(1,181,425)	(4,077)					XXX
22. Increase in reserve for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	6,633,663,420	4,492,510,843	552,137,624	98,566,886	17,037,741	382,233,125	854,761,111	0	236,416,090	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(220,978,245)	(112,932,460)	(242,958,640)	1,824,123	1,359,068	(2,763,023)	31,075,904	0	103,416,783	0

DETAILS OF WRITE-INS

	1	2	3	4	5	6	7	8	9	10
0501. Michigan Claims Tax Revenue	34,432,084	29,757,077	3,952,624	616,763	105,620					XXX
0502.	0									XXX
0503.	0									XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above)	34,432,084	29,757,077	3,952,624	616,763	105,620	0	0	0	0	XXX
0601.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Total (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.	0									XXX
1302.	0									XXX
1303.	0									XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Total (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)	4,295,905,842			4,295,905,842
2. Medicare supplement	305,081,866			305,081,866
3. Dental only	100,885,346			100,885,346
4. Vision only	18,543,558			18,543,558
5. Federal employees health benefits plan	373,858,968			373,858,968
6. Title XVIII - Medicare	885,234,016			885,234,016
7. Title XIX - Medicaid				0
8. Other health	339,832,873			339,832,873
9. Health subtotal (Lines 1 through 8)	6,319,342,469	0	0	6,319,342,469
10. Life				0
11. Property/casualty				0
12. Totals (Lines 9 to 11)	6,319,342,469	0	0	6,319,342,469

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	5,500,095,504	3,599,234,374	454,058,501	87,046,861	13,312,284	348,204,391	772,030,292		226,208,801	
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	5,500,095,504	3,599,234,374	454,058,501	87,046,861	13,312,284	348,204,391	772,030,292	0	226,208,801	0
2. Paid medical incentive pools and bonuses	46,513,938	46,513,938								
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	604,668,496	359,699,143	72,661,914	4,816,732	1,014,265	34,803,173	110,062,724		21,610,545	
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	604,668,496	359,699,143	72,661,914	4,816,732	1,014,265	34,803,173	110,062,724	0	21,610,545	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0									
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	29,681,987	29,681,987								
6. Net healthcare receivables (a)	4,775,796	4,775,796								
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	550,016,080	310,836,081	66,625,882	12,022,500	932,759	31,451,543	108,335,882		19,811,433	
8.2 Reinsurance assumed	0									
8.3 Reinsurance ceded	0									
8.4 Net	550,016,080	310,836,081	66,625,882	12,022,500	932,759	31,451,543	108,335,882	0	19,811,433	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0									
9.2 Reinsurance assumed	0									
9.3 Reinsurance ceded	0									
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	27,300,811	27,300,811								
11. Amounts recoverable from reinsurers December 31, prior year	0									
12. Incurred benefits:										
12.1 Direct	5,549,972,124	3,643,321,640	460,094,533	79,841,093	13,393,790	351,556,021	773,757,134	0	228,007,913	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
12.4 Net	5,549,972,124	3,643,321,640	460,094,533	79,841,093	13,393,790	351,556,021	773,757,134	0	228,007,913	0
13. Incurred medical incentive pools and bonuses	48,895,114	48,895,114	0	0	0	0	0	0	0	0

(a) Excludes $..........0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct	141,778,957	89,179,286	18,011,107	85,422	680,319	8,626,853	19,968,995		5,226,975	
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	141,778,957	89,179,286	18,011,107	85,422	680,319	8,626,853	19,968,995	0	5,226,975	0
2. Incurred but unreported:										
2.1 Direct	462,889,539	270,519,858	54,650,807	4,731,310	333,946	26,176,319	90,093,729		16,383,570	
2.2 Reinsurance assumed	0									
2.3 Reinsurance ceded	0									
2.4 Net	462,889,539	270,519,858	54,650,807	4,731,310	333,946	26,176,319	90,093,729	0	16,383,570	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct	0									
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	0	0	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct	604,668,496	359,699,144	72,661,914	4,816,732	1,014,265	34,803,172	110,062,724	0	21,610,545	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	604,668,496	359,699,144	72,661,914	4,816,732	1,014,265	34,803,172	110,062,724	0	21,610,545	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
Line of Business	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	286,660,765	3,369,973,103	2,272,557	357,426,586	288,933,322	310,836,081
2. Medicare supplement	50,827,836	403,230,664	661,470	72,000,444	51,489,306	66,625,882
3. Dental only	10,751,174	76,295,687	277,985	4,538,747	11,029,159	12,022,500
4. Vision only	876,692	12,435,591	32,254	982,011	908,946	932,759
5. Federal employees health benefits plan	32,064,821	316,139,570	98,158	34,705,015	32,162,979	31,451,543
6. Title XVIII - Medicare	85,771,656	686,258,637	1,145,714	108,917,010	86,917,370	108,335,882
7. Title XIX - Medicaid					0	
8. Other health	15,020,000	211,188,801	685,061	20,925,485	15,705,061	19,811,433
9. Health subtotal (Lines 1 to 8)	481,972,944	5,075,522,053	5,173,199	599,495,298	487,146,143	550,016,080
10. Healthcare receivables (a)		62,175,290			0	
11. Other non-health					0	
12. Medical incentive pools and bonus amounts	27,644,859	18,869,079		29,681,987	27,644,859	27,300,811
13. Totals (Lines 9 - 10 + 11 + 12)	509,617,803	5,032,215,842	5,173,199	629,177,285	514,791,002	577,316,891

(a) Excludes $..........0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	519,103	522,523	521,372	522,089	522,090
2. 2008	5,607,554	6,168,917	6,163,179	6,163,878	6,164,321
3. 2009	XXX	5,786,618	6,326,496	6,327,344	6,324,638
4. 2010	XXX	XXX	5,304,211	5,777,089	5,777,178
5. 2011	XXX	XXX	XXX	5,136,684	5,648,476
6. 2012	XXX	XXX	XXX	XXX	5,032,218

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	554,090	528,661	521,372	522,090	522,090
2. 2008	6,223,106	6,209,432	6,164,824	6,164,754	6,164,321
3. 2009	XXX	6,434,851	6,365,387	6,330,303	6,324,645
4. 2010	XXX	XXX	5,895,630	5,801,330	5,777,351
5. 2011	XXX	XXX	XXX	5,685,924	5,653,471
6. 2012	XXX	XXX	XXX	XXX	5,661,393

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008	6,806,040	6,164,321	250,158	4.1	6,414,479	94.2			6,414,479	94.2
2. 2009	6,986,394	6,324,638	289,504	4.6	6,614,142	94.7	4		6,614,146	94.7
3. 2010	6,574,692	5,777,178	252,328	4.4	6,029,506	91.7	237	32	6,029,775	91.7
4. 2011	6,395,398	5,648,476	307,678	5.4	5,956,154	93.1	4,931	671	5,961,756	93.2
5. 2012	6,378,252	5,032,218	310,259	6.2	5,342,477	83.8	629,177	85,867	6,057,521	95.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	334,412	336,038	336,852	338,042	338,042
2. 2008	3,924,903	4,260,253	4,257,534	4,259,478	4,259,805
3. 2009	XXX	3,921,109	4,245,230	4,245,056	4,245,991
4. 2010	XXX	XXX	3,660,743	3,959,264	3,958,207
5. 2011	XXX	XXX	XXX	3,453,167	3,767,268
6. 2012	XXX	XXX	XXX	XXX	3,326,667

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	362,565	341,467	336,852	338,042	338,042
2. 2008	4,286,144	4,284,382	4,258,665	4,260,314	4,259,805
3. 2009	XXX	4,305,379	4,267,555	4,247,376	4,245,995
4. 2010	XXX	XXX	4,044,093	3,973,253	3,958,285
5. 2011	XXX	XXX	XXX	3,774,158	3,769,459
6. 2012	XXX	XXX	XXX	XXX	3,713,775

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008	4,930,917	4,259,805	172,576	4.1	4,432,381	89.9			4,432,381	89.9
2. 2009	4,809,234	4,245,991	194,519	4.6	4,440,510	92.3	1	1	4,440,512	92.3
3. 2010	4,592,350	3,958,207	172,581	4.4	4,130,788	89.9	164	22	4,130,974	90.0
4. 2011	4,422,943	3,767,268	204,992	5.4	3,972,260	89.8	2,108	290	3,974,658	89.9
5. 2012	4,349,822	3,326,665	205,104	6.2	3,531,769	81.2	387,109	52,832	3,971,710	91.3

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	55,463	56,700	56,952	56,993	56,993
2. 2008	338,940	393,052	394,036	394,180	394,311
3. 2009	XXX	363,152	410,635	411,455	411,642
4. 2010	XXX	XXX	379,129	429,432	429,786
5. 2011	XXX	XXX	XXX	396,904	447,059
6. 2012	XXX	XXX	XXX	XXX	403,231

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	56,686	57,096	56,952	56,993	56,993
2. 2008	402,736	396,593	394,534	394,213	394,311
3. 2009	XXX	419,915	413,996	412,045	411,642
4. 2010	XXX	XXX	439,968	432,528	429,786
5. 2011	XXX	XXX	XXX	459,810	447,721
6. 2012	XXX	XXX	XXX	XXX	475,231

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008	255,536	394,311	16,119	4.1	410,430	160.6			410,430	160.6
2. 2009	265,543	411,642	18,814	4.6	430,456	162.1			430,456	162.1
3. 2010	277,850	429,786	18,944	4.4	448,730	161.5			448,730	161.5
4. 2011	290,019	447,059	24,428	5.5	471,487	162.6	661	90	472,238	162.8
5. 2012	305,226	403,231	24,861	6.2	428,092	140.3	72,000	9,826	509,918	167.1

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	3,164	3,226	3,231	3,233	3,233
2. 2008	67,500	71,374	71,441	71,440	71,445
3. 2009	XXX	67,985	72,202	72,263	72,300
4. 2010	XXX	XXX	70,429	74,684	74,817
5. 2011	XXX	XXX	XXX	58,511	69,087
6. 2012	XXX	XXX	XXX	XXX	76,296

SECTION B - INCURRED HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	3,205	3,226	3,231	3,233	3,233
2. 2008	70,625	71,420	71,442	71,440	71,445
3. 2009	XXX	71,085	72,454	72,263	72,303
4. 2010	XXX	XXX	74,442	74,830	74,862
5. 2011	XXX	XXX	XXX	70,388	69,318
6. 2012	XXX	XXX	XXX	XXX	80,834

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - DENTAL ONLY

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008	82,779	71,445	2,884	4.0	74,329	89.8			74,329	89.8
2. 2009	82,387	72,300	3,317	4.6	75,617	91.8	3		75,620	91.8
3. 2010	87,356	74,817	3,250	4.3	78,067	89.4	44	6	78,117	89.4
4. 2011	81,339	69,087	3,797	5.5	72,884	89.6	231	31	73,146	89.9
5. 2012	99,774	76,296	4,704	6.2	81,000	81.2	4,539	619	86,158	86.4

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	662	664	664	665	665
2. 2008	12,719	13,472	13,476	13,476	13,476
3. 2009	XXX	12,380	13,220	13,221	13,221
4. 2010	XXX	XXX	12,192	13,069	13,073
5. 2011	XXX	XXX	XXX	12,059	12,932
6. 2012	XXX	XXX	XXX	XXX	12,436

SECTION B - INCURRED HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	663	664	664	665	665
2. 2008	13,492	13,474	13,476	13,476	13,476
3. 2009	XXX	12,940	13,221	13,221	13,221
4. 2010	XXX	XXX	12,930	13,071	13,073
5. 2011	XXX	XXX	XXX	12,990	12,964
6. 2012	XXX	XXX	XXX	XXX	13,418

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - VISION ONLY

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008	17,485	13,476	544	4.0	14,020	80.2			14,020	80.2
2. 2009	18,278	13,221	606	4.6	13,827	75.6			13,827	75.6
3. 2010	18,679	13,073	569	4.4	13,642	73.0			13,642	73.0
4. 2011	17,240	12,932	702	5.4	13,634	79.1	32	4	13,670	79.3
5. 2012	18,291	12,436	767	6.2	13,203	72.2	982	134	14,319	78.3

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	30,972	32,330	32,310	32,444	32,444
2. 2008	272,338	306,760	306,726	306,773	306,822
3. 2009	XXX	284,297	314,625	314,556	314,576
4. 2010	XXX	XXX	311,918	337,150	336,885
5. 2011	XXX	XXX	XXX	318,132	350,393
6. 2012	XXX	XXX	XXX	XXX	316,140

SECTION B - INCURRED HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	32,986	32,643	32,310	32,444	32,444
2. 2008	307,247	308,072	306,740	306,780	306,822
3. 2009	XXX	322,331	314,703	314,581	314,576
4. 2010	XXX	XXX	337,163	337,357	336,885
5. 2011	XXX	XXX	XXX	349,344	350,491
6. 2012	XXX	XXX	XXX	XXX	350,845

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008	330,689	306,822	12,492	4.1	319,314	96.6			319,314	96.6
2. 2009	348,123	314,576	14,390	4.6	328,966	94.5			328,966	94.5
3. 2010	353,943	336,885	14,683	4.4	351,568	99.3			351,568	99.3
4. 2011	375,991	350,393	19,090	5.4	369,483	98.3	98	13	369,594	98.3
5. 2012	379,470	316,140	19,491	6.2	335,631	88.4	34,705	4,736	375,072	98.8

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	76,048	75,183	72,981	72,331	72,331
2. 2008	776,585	879,227	875,187	873,752	873,683
3. 2009	XXX	933,720	1,052,512	1,052,721	1,048,836
4. 2010	XXX	XXX	637,135	717,896	718,816
5. 2011	XXX	XXX	XXX	669,212	758,018
6. 2012	XXX	XXX	XXX	XXX	686,259

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	78,520	75,183	72,981	72,331	72,331
2. 2008	908,194	890,608	875,188	873,752	873,683
3. 2009	XXX	1,076,848	1,064,843	1,052,745	1,048,836
4. 2010	XXX	XXX	732,858	724,361	718,866
5. 2011	XXX	XXX	XXX	771,059	759,114
6. 2012	XXX	XXX	XXX	XXX	795,176

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICARE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008	941,815	873,683	35,562	4.1	909,245	96.5			909,245	96.5
2. 2009	1,182,572	1,048,836	47,860	4.6	1,096,696	92.7			1,096,696	92.7
3. 2010	935,678	718,816	31,653	4.4	750,469	80.2	29	4	750,502	80.2
4. 2011	868,258	758,018	41,449	5.5	799,467	92.1	1,117	152	800,736	92.2
5. 2012	885,837	686,259	42,311	6.2	728,570	82.2	108,917	14,865	852,352	96.2

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

NONE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID

NONE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008					0	0.0			0	0.0
2. 2009				0.0	0	0.0			0	0.0
3. 2010				0.0	0	0.0			0	0.0
4. 2011				0.0	0	0.0			0	0.0
5. 2012				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	18,382	18,382	18,382	18,382	18,382
2. 2008	214,569	244,779	244,779	244,779	244,779
3. 2009	XXX	203,975	218,072	218,072	218,072
4. 2010	XXX	XXX	232,665	245,594	245,594
5. 2011	XXX	XXX	XXX	228,699	243,719
6. 2012	XXX	XXX	XXX	XXX	211,189

SECTION B - INCURRED HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	19,465	18,382	18,382	18,382	18,382
2. 2008	234,668	244,883	244,779	244,779	244,779
3. 2009	XXX	226,353	218,615	218,072	218,072
4. 2010	XXX	XXX	254,176	245,930	245,594
5. 2011	XXX	XXX	XXX	248,175	244,404
6. 2012	XXX	XXX	XXX	XXX	232,114

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - OTHER

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008	246,819	244,779	9,981	4.1	254,760	103.2			254,760	103.2
2. 2009	280,257	218,072	9,998	4.6	228,070	81.4			228,070	81.4
3. 2010	308,836	245,594	10,648	4.3	256,242	83.0			256,242	83.0
4. 2011	339,608	243,719	13,220	5.4	256,939	75.7	685	93	257,717	75.9
5. 2012	339,833	211,189	13,021	6.2	224,210	66.0	20,925	2,856	247,991	73.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
1. Unearned premium reserves	240,187,482	200,544,464	29,050,172	2,858,973	452,795	211,803	7,069,275		
2. Additional policy reserves (a)	302,600,506	87,205,300	212,790,473	2,503,666	101,067				
3. Reserve for future contingent benefits	0								
4. Reserve for rate credits or experience rating refunds (including $..........0) for investment income	222,575,039	214,381,727		1,736,705	383,204	2,569,071	3,504,332		
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	765,363,027	502,131,491	241,840,645	7,099,344	937,066	2,780,874	10,573,607	0	0
7. Reinsurance ceded	0								
8. Totals (net) (Page 3, Line 4)	765,363,027	502,131,491	241,840,645	7,099,344	937,066	2,780,874	10,573,607	0	0
9. Present value of amounts not yet due on claims	0								
10. Reserve for future contingent benefits	0								
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
12. Totals (gross)	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded	0								
14. Totals (net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0

DETAILS OF WRITE-INS

	1	2	3	4	5	6	7	8	9
0501.	0								
0502.	0								
0503.	0								
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.	0								
1102.	0								
1103.	0								
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes $.....302,600,506 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses 1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	3 General Administrative Expenses	4 Investment Expenses	5 Total
1. Rent ($.....47,097,661 for occupancy of own building)	7,520,101	11,953,381	39,702,654	65,113	59,241,249
2. Salaries, wages and other benefits	143,807,387	169,003,653	398,936,564	1,805,743	713,553,347
3. Commissions (less $..........0 ceded plus $..........0 assumed)	-	-	215,684,698	-	215,684,698
4. Legal fees and expenses	-	-	28,342,252	-	28,342,252
5. Certifications and accreditation fees	5,185	-	-	-	5,185
6. Auditing, actuarial and other consulting services	15,003,809	3,073,147	175,815,262	191,196	194,083,414
7. Traveling expenses	2,257,435	1,085,850	10,883,445	22,408	14,249,138
8. Marketing and advertising	174,412	98,259	12,954,689	-	13,227,360
9. Postage, express and telephone	2,037,691	10,024,664	9,113,462	5,188	21,181,005
10. Printing and office supplies	741,653	3,387,582	5,718,304	137,305	9,984,844
11. Occupancy, depreciation and amortization	1,481	2,647	13,599,163	-	13,603,291
12. Equipment					0
13. Cost or depreciation of EDP equipment and software	9,533,076	2,134,451	84,528,758	93,592	96,289,877
14. Outsourced services including EDP, claims, and other services	59,812,214	130,359,725	164,802,578	170,111	355,144,628
15. Boards, bureaus and association fees	2,198,895	10,851	6,275,142	5,952	8,490,840
16. Insurance, except on real estate	4,195	-	2,707,162	15,140	2,726,497
17. Collection and bank service charges		-			0
18. Group service and administration fees	5,056,166	5,585,300	63,224,798	-	73,866,264
19. Reimbursements by uninsured plans	.......(111,249,867)	.......(150,893,472)	.......(624,041,381)	..............(825,908)	.......(887,010,628)
20. Reimbursements from fiscal intermediaries	-	-		-	0
21. Real estate expenses	-	-	20,834	-	20,834
22. Real estate taxes					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					0
23.2 State premium taxes					0
23.3 Regulatory authority licenses and fees			100,919,641		100,919,641
23.4 Payroll taxes	7,542,689	10,114,966	21,864,384	95,787	39,617,826
23.5 Other (excluding federal income and real estate taxes)					0
24. Investment expenses not included elsewhere					0
25. Aggregate write-ins for expenses	0	0	0	0	0
26. Total expenses incurred (Lines 1 to 25)	144,446,522	195,941,004	731,052,409	1,781,627	(a)1,073,221,562
27. Less expenses unpaid December 31, current year		86,574,329	279,949,812		366,524,141
28. Add expenses unpaid December 31, prior year		74,008,263	219,330,523		293,338,786
29. Amounts receivable relating to uninsured plans, prior year		25,532,598	54,885,032		80,417,630
30. Amounts receivable relating to uninsured plans, current year		39,389,917	84,790,149		124,180,066
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	144,446,522	197,232,257	700,338,237	1,781,627	1,043,798,643

DETAILS OF WRITE-INS

2501.					0
2502.					0
2503.					0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)	0	0	0	0	0

(a) Includes management fees of $.....56,861,985 to affiliates and $.....148,659,161 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. government bonds	(a) 13,453,458	13,643,144
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 112,990,336	110,874,555
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 188,849	188,649
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	17,545,954	17,866,941
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d) 47,097,661	47,097,661
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 51,524	(671,886)
7.	Derivative instruments	(f)	
8.	Other invested assets	3,604,001	3,022,702
9.	Aggregate write-ins for investment income	(3,545,170)	(3,598,136)
10.	Total gross investment income	191,386,613	188,423,630
11.	Investment expenses		(g) 1,685,840
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g) 95,787
13.	Interest expense		(h) 17,793,287
14.	Depreciation on real estate and other invested assets		(i) 10,720,969
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		30,295,883
17.	Net investment income (Line 10 minus Line 16)		158,127,747

DETAILS OF WRITE-INS

0901.	SECURITY LENDING INCOME	470,554	417,588
0902.	SWEEP INCOME	1,665	1,665
0903.	MANAGEMENT FEES	(4,017,389)	(4,017,389)
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	(3,545,170)	(3,598,136)
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above)		0

(a) Includes $.....18,226,177 accrual of discount less $.....26,097,644 amortization of premium and less $.....14,352,608 paid for accrued interest on purchases.
(b) Includes $..........0 accrual of discount less $..........0 amortization of premium and less $..........0 paid for accrued dividends on purchases.
(c) Includes $..........0 accrual of discount less $..........0 amortization of premium and less $..........0 paid for accrued interest on purchases.
(d) Includes $.....47,097,661 for company's occupancy of its own buildings; and excludes $..........0 interest on encumbrances.
(e) Includes $..........0 accrual of discount less $..........0 amortization of premium and less $..........0 paid for accrued interest on purchases.
(f) Includes $..........0 accrual of discount less $..........0 amortization of premium.
(g) Includes $..........0 investment expenses and $..........0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
(h) Includes $..........0 interest on surplus notes and $..........0 interest on capital notes.
(i) Includes $.....10,720,969 depreciation on real estate and $..........0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. government bonds	36,330,863		36,330,863	(5,078)	
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)	72,868,915	(12,474,591)	60,394,324		134,318
1.3	Bonds of affiliates			0		
2.1	Preferred stocks (unaffiliated)	1,934	(69)	1,865		
2.11	Preferred stocks of affiliates			0		
2.2	Common stocks (unaffiliated)	44,213,911	(14,417,747)	29,796,164	52,980,070	
2.21	Common stocks of affiliates			0	218,810,424	
3.	Mortgage loans			0		
4.	Real estate	(650,987)		(650,987)		
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments	10,245	(505)	9,740		
7.	Derivative instruments			0		
8.	Other invested assets			0	10,113,807	
9.	Aggregate write-ins for capital gains (losses)	(756,114)	0	(756,114)	0	0
10.	Total capital gains (losses)	152,018,767	(26,892,912)	125,125,855	281,899,223	134,318

DETAILS OF WRITE-INS

0901.	AGGREGATE WRITE IN FOR CAPITAL GAINS (LOSSES)	(756,114)		(756,114)		
0902.				0		
0903.				0		
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	(756,114)	0	(756,114)	0	0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			0
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Derivatives (Schedule DB)			0
8. Other invested assets (Schedule BA)			0
9. Receivables for securities			0
10. Securities lending reinvested collateral assets (Schedule DL)			0
11. Aggregate write-ins for invested assets	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	0	0	0
13. Title plants (for Title insurers only)			0
14. Investment income due and accrued	26,655	773,939	747,284
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
15.3 Accrued retrospective premiums			0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			0
16.2 Funds held by or deposited with reinsured companies			0
16.3 Other amounts receivable under reinsurance contracts			0
17. Amounts receivable relating to uninsured plans	535,334	11,802,733	11,267,399
18.1 Current federal and foreign income tax recoverable and interest thereon			0
18.2 Net deferred tax asset			0
19. Guaranty funds receivable or on deposit			0
20. Electronic data processing equipment and software	234,395,513	244,963,300	10,567,787
21. Furniture and equipment, including health care delivery assets	10,522,107	8,454,880	(2,067,227)
22. Net adjustment in assets and liabilities due to foreign exchange rates			0
23. Receivables from parent, subsidiaries and affiliates			0
24. Health care and other amounts receivable	2,828,817	4,656,475	1,827,658
25. Aggregate write-ins for other than invested assets	37,107,568	22,478,585	(14,628,983)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25)	285,415,994	293,129,912	7,713,918
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
28. TOTALS (Lines 26 and 27)	285,415,994	293,129,912	7,713,918

DETAILS OF WRITE-INS

1101.			0
1102.			0
1103.			0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0
2501. Miscellaneous Accounts Receivable	13,480,880	6,605,443	(6,875,437)
2502. Prepaid and Other Assets	10,004,542	8,626,277	(1,378,265)
2503. Company Owned Automobile	63,620	23,680	(39,940)
2598. Summary of remaining write-ins for Line 25 from overflow page	13,558,526	7,223,185	(6,335,341)
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	37,107,568	22,478,585	(14,628,983)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

	Total Members at End of					6
Source of Enrollment	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1. Health maintenance organizations						
2. Provider service organizations						
3. Preferred provider organizations	1,174,761	1,138,032	1,129,631	1,113,535	1,112,191	13,511,991
4. Point of service	568	529	516	486	483	6,089
5. Indemnity only	313,060	343,705	353,063	370,169	375,142	4,270,134
6. Aggregate write-ins for other lines of business	674	674	674	665	655	8,036
7. Total	1,489,063	1,482,940	1,483,884	1,484,855	1,488,471	17,796,250

DETAILS OF WRITE-INS

0601. National Stoploss	102	99	99	98		
0602. Local Stoploss	572	575	575	567	103	1,189
0603.					552	6,847
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	674	674	674	665	655	8,036

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

Blue Cross Blue Shield of Michigan (the Company) is incorporated as a nonprofit health care corporation under the provisions of Public Act 350 of 1980 (P.A. 350) of the state of Michigan. Hospital, medical, and other health benefits are provided under contracts with subscribers. The Company also operates health maintenance organization (HMO) subsidiaries that provide health care services to subscribers and contracts with various physician groups, hospitals, and other health care providers to provide such services. In addition, the Company has subsidiaries that provide workers' compensation and long-term care insurance.

Michigan Office of Financial and Insurance Regulation (OFIR) recognizes only statutory basis accounting practices prescribed or permitted by the state of Michigan for determining and reporting the financial condition and results of operations of an insurance company. OFIR adopted the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* (NAIC SAP) as the basis for its statutory accounting practices. The Commissioner of OFIR has the right to permit other specific practices that may deviate from the prescribed practices. The accompanying statutory basis financial statements have been prepared, except as to form, in conformity with accounting practices prescribed or permitted by OFIR.

At the direction of the Michigan Commissioner of Insurance, the Company limited its provision for all premium deficiency reserve (PDR) losses to not exceed two years. NAIC SAP, as prescribed in SSAP No. 54, *Individual and Group Accident and Health Contracts*, requires all reasonable foreseen losses be accrued. If the provision for PDR losses was not limited to two years, statutory surplus would be decreased by $202,517,000 and $224,127,000 for the periods ending December 31, 2012 and December 31, 2011, respectively. Additionally, net income would be increased (decreased) by $21,609,000 and ($9,543,000), respectively, for the years then ended December 31, 2012 and 2011.

OFIR approved the Company's permitted practice request regarding the determination of the admitted asset attributable to hospital advances pursuant to paragraph 16 of SSAP No. 84, *Certain Health Care Receivables and Receivables Under Government Insured Plans.* The permitted practice allows the Company to admit net hospital advances attributable to self-funded contract claims to the extent of the unpaid hospital incurred claims owed by the Company to the hospital. Without the permitted practice, statutory surplus would have decreased by $79,196,782 and $90,588,546 as of December 31, 2012 and 2011, respectively. The permitted practice had no impact on net income for the years ended December 31, 2012 and 2011.

A reconciliation of the Company's net income and capital and surplus between OFIR prescribed and permitted practices and NAIC SAP as of December 31, 2012 and 2011 is as follows:

	12/31/2012	12/31/2011
Net Income - MI OFIR	$ (2,549,430)	$ 40,011,408
MI OFIR Prescribed Practice		
Two-Year Limitation on Premium Deficiency Reserves	21,609,000	(9,543,000)
MI OFIR Permitted Practice		
Hospital Advances for Self-Funded Claims	-	-
Net Income - NAIC SAP	$ 19,059,570	$ 30,468,408
Statutory Surplus - MI OFIR	$ 3,060,597,267	$ 2,789,651,952
MI OFIR Prescribed Practice		
Two-Year Limitation on Premium Deficiency Reserves	(202,517,000)	(224,127,000)
Deferred Tax Impact of Two-Year PDR limit	40,503,000	44,825,000
Change in Non-admitted Deferred Tax Asset	(30,512,000)	(28,500,000)
MI OFIR Permitted Practice		
Hospital Advances for Self-Funded Claims	(79,197,000)	(90,588,546)
Statutory Surplus - NAIC SAP	$ 2,788,874,267	$ 2,491,261,406

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of statutory-basis financial statements, in conformity with the Annual Statement instructions and accounting practices prescribed or permitted by OFIR, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the statutory-basis financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

C. Accounting Policy

Premiums, which generally are billed in advance, are recognized as revenue during the respective periods of coverage. Premiums applicable to the unexpired portion of coverage are reflected in the accompanying Liabilities, Capital and Surplus page of the Annual Statement as aggregate health policy reserves. Premiums received in advance of the billing due date are recorded as premiums received in advance.

Fee revenue primarily consists of administrative fees for services provided under administrative service contracts (ASC), including management of medical services, claims processing, and access to provider networks. Under ASC arrangements, self-funded groups retain the primary underwriting risk of paying claims, and the Company retains an element of credit risk to providers in the event reimbursement is not received from the group; therefore, claims paid by the Company and the corresponding reimbursement of claims, plus administrative fees are netted. Amounts due from ASC groups are equal to the amounts required to pay claims and administrative fees. Administrative fees are earned as services are performed and are calculated based on the number of members in a group or the group’s claim experience. Since benefit expenses for ASC arrangements are not the responsibility of the Company, claims paid by the Company and the corresponding reimbursement of claims are not reported in the accompanying Statement of Revenue and Expenses. Administrative fee revenues related to ASC arrangements are included as a reduction in operating expenses, cost containment expenses, and other claim adjustment expenses. Administrative fee revenues of $887,010,628 and $819,797,283 related to ASC arrangements are included as offset in operating expenses for the periods ended December 31, 2012 and 2011, respectively.

In addition, the Company uses the following accounting policies:

1. Short-Term Investments - Short-term investments and cash equivalents are recorded at amortized cost, which approximates market value, and include commercial paper, certificates of deposits, and other readily marketable investments with initial maturities less than one year for short-term investments and three months or less for cash equivalents.

2. Bonds - Bonds not backed by other loans that have an NAIC designation of one or two are stated at amortized cost using the effective interest method. Bonds with an NAIC designation of three or higher are carried at the lower of amortized cost or fair market value.

3. Common Stocks Unaffiliated - Common stocks are recorded at fair value. Changes in unrealized appreciation and depreciation in the value of common stocks are reflected as direct increases or decreases in surplus.

4. Preferred Stocks Unaffiliated - Preferred stocks are stated at book value for NAIC classes one and two and lower of book value or market for NAIC classes three through six. Changes in unrealized appreciation and depreciation in the value of preferred stocks are reflected as direct increases or decreases in surplus.

5. Mortgage loans on real estate – The Company does not have mortgage loans.

6. Loan-backed securities are stated at amortized cost. Premiums and discounts on loan-backed bonds and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker-dealer survey values or internal estimates. Changes in estimated cash flows from the original purchase assumptions are accounted for using the prospective method. Should the present value of anticipated cash flows collected be less than the amortized cost basis, a determination will be made on whether the decline in value is other than temporary. If the Company has the ability and intent to hold the security to maturity but does not expect recovery of the carrying value, the credit portion of the decline is recognized as an impairment loss.

7. Investment in Subsidiaries, Controlled and Affiliated Entities - The Company uses the equity method and follow NAIC SAP in valuing its subsidiaries and affiliates. In accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities*, a replacement of SSAP No. 88, the Company reports its investments in subsidiaries inclusive of related goodwill balances. Included in the Company’s common stock balance are the investments in Blue Care Network of Michigan (BCNM), Accident Fund Holdings, Inc. (AFHI), and LifeSecure Holdings, Inc. (LifeSecure). In June 2011, the Company made an additional contribution of $15,500,000 to LifeSecure. Additional entities over which the Company’s own sufficient equity ownership to exert significant influence over operations of the investor include BMH, LLC, BloomHealth and NASCO, LLC.

   Goodwill is amortizable over 10 years. Goodwill amortization recognized for each period ended December 31, 2012 and December 31, 2011 was $7,820,129 and $6,663,900, respectively. The carrying value of these assets is reviewed for impairment at least annually or more frequently should circumstances indicate. The Company completed its annual impairment test as of December 31, 2012 and December 31, 2011 and no impairments were indicated.

The goodwill limitation calculated based on SSAP No. 68 at December 31, 2012 and 2011 was $285,656,845 and $256,136,030, respectively. The Company's actual goodwill balance at December 31, 2012 and 2011 was $17,069,957 and $13,327,800, respectively. As of December 31, 2012 and 2011, the Company's goodwill balances were fully admissible.

As of December 31, 2012 and 2011, the breakdown between goodwill and investments in subsidiaries is shown below.

	12/31/2012	12/31/2011
Common Stock Investments in Subsidiaries:		
Investment in BCNM[1]	$ 899,163,166	$ 715,203,000
Investment in Accident Fund Holdings, Inc	633,615,170	578,901,000
AFHI goodwill	6,663,900	13,327,800
Investment in LifeSecure	23,771,220	26,274,000
Amount included in common stock	$ 1,563,213,456	$ 1,333,705,800
Preferred Stock Investment in Affiliates:		
BloomHealth goodwill[2]	10,406,057	-
Amount included in preferred stock	$ 10,406,057	$ -
Other Invested Assets:		
AmeriHealth	140,202,247	129,764,588
NASCO	968,557	5,058,249
BloomHealth[2]	-	11,818,872
Amount included in subs and affiliates	$ 141,170,804	$ 146,641,709
Total investments in subs and affiliates	$ 1,714,790,317	$ 1,480,347,509
Summary:		
Total investments excluding goodwill	$ 1,697,720,360	$ 1,467,019,709
Goodwill	17,069,957	13,327,800
Total	$ 1,714,790,317	$ 1,480,347,509

[1] Includes investments in BCNM, Blue Care of Michigan Inc, Blue Care Network Medical Malpractice Self-Insurance Trust, Blue Care Network Stop-Loss, and Casualty Self-Insurance Trust.

[2] At December 31, 2011, BloomHealth was reported as other invested assets. At December 31, 2012, BloomHealth was included in preferred stock.

8. Investments in Joint Ventures, Partnerships and Limited Liability Companies - The Company has ownership interests in partnerships and limited liability companies. The Company carries these investments based on the underlying GAAP equity.

   The accounting treatment of the Company's investment in NASCO, LLC, BMH,LLC and BloomHealth were in accordance with SSAP No. 97 – *Investment in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88*. (Note 6)

9. Derivatives – NOT APPLICABLE

10. Premium Deficiency Reserve - A liability for premium deficiency losses is an actuarial estimate that is recognized when it is probable that expected claim losses and allocable administrati*ve expenses will exceed future premiums on existing health and other contracts without con*sideration of investment income. For purposes of premium deficiency losses, contracts are grouped in a manner consistent with the Company's method of acquiring, servicing and measuring the profitability of such contracts. Premium deficiency losses are generally recorded related to the period that the contract is in a loss position. The Company is in compliance with OFIR prescribed practice for non-profit health care corporations to limit provision for all PDR losses to two years.

11. Liabilities for Unpaid Claim and Claim Adjustment Expenses - The Company estimates the amount of the medical claims liability costs incurred but not yet reported (IBNR) using standard actuarial developmental methodologies based upon historical data including run out patterns, expected medical cost inflation, seasonality patterns and changes in membership, among other things. The Company's IBNR best estimate also includes a provision for adverse deviation, which is an estimate for known environmental factors that are reasonably likely to affect the required level of IBNR reserves. This provision for adverse deviation is intended to capture the potential adverse development from known and special environmental factors such as changes in payment patterns, trends, and benefits versus historical levels, system issues not captured in inventory reports, and / or exceptional situations that require judgmental adjustments in setting the reserves for claims. The Company consistently apply IBNR estimation methodology from period to period. The Company IBNR best estimate is made on an accrual basis and adjusted in future periods as required. Any adjustments to the prior period estimates are included in the current period. The majority of the IBNR reserve balance held at the end of each year is associated with the most recent months' incurred services because these are the services for which the fewest claims have been paid. The degree of uncertainty in the estimates of incurred claims is greater for the most recent months' incurred services. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts estimated. Processing expenses related to claims are accrued based on an estimate of expenses to process such claims. Revisions in actuarial estimates are reported in the period in which they arise.

12. Capitalization Policy – The Company has not modified its capitalization policy and meets the requirements of SSAP No. 87, *Capitalization Policy*.

13. Premium Rebates – Beginning in 2011, under the provisions of the Affordable Care Act, the Company is required to provide rebates to policyholders if the coverage does not satisfy a specified medical loss ratio (MLR). For individual and small group business, if a health insurer does not meet an 80% MLR for the year, it will be required to provide a rebate to the policyholders. The required MLR for large groups is 85%. Premium rebates are reported as reductions to premium revenue. MLR rebates are required to be paid to policyholders by August 1 following the end of the year in which an applicable MLR standard was not met. At December 31, 2012 and 2011, the Company determined it had no rebate liability as all MLR ratios were above required minimums.

14. Real Estate – Real property occupied by the Company is stated at cost, less accumulated depreciation of $144,023,000 and $152,909,000 at December 31, 2012 and 2011, respectively. Depreciation is calculated using the straight-line method over estimated useful lives ranging from 30 to 40 years for buildings. Depreciation expense was $10,721,000 and $16,387,000 for the years ended December 31, 2012 and 2011, respectively. Statutory basis investment income and operating expenses include rent for the Company's occupancy of this property. At December 31, 2012 and 2011, the related rental income and expense recorded on this property totaled $47,098,000.

15. Long-Lived Assets - Long-lived assets held and used by the Company are reviewed for impairment based on market factors and operational considerations whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets 'held for sale" are no longer depreciated. The Company writes down the carrying amount of the long-lived asset to its fair value once the impairment has been determined.

16. Securities Lending Receivables and Payables — In compliance with SSAP No. 91R, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*, the Company records a security lending asset and an offsetting security lending payable, for the underlying cash collateral received in security lending transactions, in its statutory basis financial statements.

17. Intangible Assets — The Company carries intangible assets consisting of customer contracts, provider networks, and trademarks resulting from the acquisition of subsidiaries. Under NAIC SAP, these intangible assets are treated as non-admitted assets.

18. Experience Rated Groups — A liability is recognized for experience-rated group contracts as a result of favorable experience based on an actuarial estimate of underwriting gains, which will be returned to groups either as cash refunds or future rate reductions. Under terms of most of the experience-rated group contracts, recovery, if any, of underwriting losses through future rate increases is not recognized until received.

19. Employee Benefit Plans — The Company has two qualified defined benefit retirement income plans covering substantially all employees, 21 years or older having one year or more of continuous service. The Company sponsors separate plans for its represented and non-represented employees. Approximately 33% of the Company's workforce is unionized. The Company's policy is to fund accrued retirement costs, to meet minimum funding requirements, as required by law.

    The Company has defined contribution plans for its represented and non-represented employees, which are qualified under Section 401(k) of the Internal Revenue Code (IRC). The Company's defined contribution plans are called savings plans and they cover all employees who elect to participate. Under these savings plans, the Company matches a specified percentage of employees' contributions as defined in the plan provisions.

    The Company has a deferred compensation benefit plan for a group of key employees and members of the Company's board of directors. Under the plan, eligible participants may elect to defer to a future period a portion of salary or director fees that are earned and normally payable as services are rendered. Elections to defer compensation must be made prior to the beginning of the year in which the deferral is effective. Deferred amounts are unfunded and paid out of the general assets of the Company.

The Company provides defined benefit postretirement health care and other postretirement benefits for substantially all employees and their dependents that retire from active employment and meet minimum age and service requirements. In recent years, postretirement health care benefits have been reduced for newly hired employees. Defined benefit health care options are still offered to non-represented employees hired after January 1, 2007, but payment of the premiums is the responsibility of the employee. Represented employees hired after January 1, 2009, are not provided defined benefit postretirement health care coverage. All post-retirement defined benefit health care and other postretirement benefit plans are funded on a pay-as-you-go basis.

The Company’s obligations related to its defined benefit pensions and post-retirement health care and other postretirement defined benefits are estimated using actuarial determined estimates.

20. Reinsurance — Prior to the termination of the agreement in July 2011, the Company reinsured 90% of its risk for bone marrow and organ transplants with BCS Insurance Company. The maximum amount of reinsurance is $2,000,000 per transplant recipient’s lifetime with a 10% retention. BCS Insurance Company paid the Company a provisional ceding commission on business ceded. BCS Insurance Company is an authorized reinsurer in the state of Michigan. At December 31, 2012 and 2011, net reinsurance recoveries, included in the underwriting deductions, totaled $0 and $278,000, respectively. The Company has a ceded reinsurance payable of $1,740,000 at December 31, 2012 and 2011.

21. Medicare Advantage Benefits — The Company provides health care coverage to Medicare-eligible subscribers under the Center for Medicare and Medicaid Services (CMS) Medicare Advantage (“Medicare Part C”) program. Under the arrangement with CMS, the Company generally receives premium in advance of medical services being provided to subscribers. Premium revenue is earned over the period the Company is obligated to reimburse providers for medical services provided to subscribers. CMS utilizes a risk-adjustment model, which adjusts member premium based on the underlying health conditions of subscribers. Under this model, the potential for additional premium does not occur in the initial year of enrollment, but in subsequent periods after the Company has compiled and submitted medical diagnosis information to CMS. Risk scores are established at the beginning of each calendar year and then retroactively adjusted on two separate occasions. The first adjustment for a given calendar year generally occurs in the third quarter and results in a retroactive premium adjustment as well as an updated risk score for the member. The second adjustment occurs after the end of the year following a CMS reconciliation of all medical diagnosis information submitted by the Company. The Company records revenues and a receivable from CMS based on an estimate of the members’ risk scores. This estimate is then adjusted the following year during annual settlement with CMS. In 2012 and 2011, the Company received additional revenue adjustments which increased the prior year by approximately $26,936,000 and $8,491,000, respectively, for prior-year risk scores revenue adjustment, of which $3,548,000 and $600,000, respectively, was refunded to ASC customers. Amounts for anticipated risk score settlements were a liability of $21,302,000 and a receivable of $45,244,000 at December 31, 2012 and 2011, respectively. CMS has announced their intention to audit the data used to calculate the risk scores of Medicare Advantage carriers. Such an audit, if it were to occur, could result in adjustments to the Company’s risk scores and retroactive premium adjustments subsequent to the annual settlement.

22. Prescription Drug Benefits Under Medicare Part D — The Company serves as a plan sponsor offering Medicare Part D prescription drug insurance coverage under a contract with CMS. In general, pharmacy benefits under Medicare Part D plans may vary in

terms of coverage levels and out-of-pocket costs for beneficiary premiums, deductibles, and coinsurance. However, all Medicare Part D plans must offer either “standard coverage” or its actuarial equivalent (with out-of-pocket threshold and deductible amounts that do not exceed those of standard coverage). These “defined standard” benefits represent the minimum level of benefits required under law. In addition to defined standard plans, the Company offers other prescription drug plans containing benefits in excess of the standard coverage limits, in many cases for an additional beneficiary premium.

Under the Medicare Part D program, there are six separate elements of payment received by the Company during the plan year. These payment elements are as follows:

- CMS Premium — CMS pays a fixed monthly premium per member to the Company for the entire plan year.

- Member Premium — Each member pays a fixed monthly premium to the Company for the entire plan year.

- Low-Income Premium Subsidy — For qualifying low-income members, CMS pays some portion or all of the member’s monthly premiums to the Company on the member’s behalf.

- Catastrophic Reinsurance Subsidy — CMS pays the Company a cost reimbursement estimate monthly to fund the CMS obligation to pay approximately 80% of the costs incurred by individual members in excess of the individual annual out-of-pocket maximum of $4,700,000. A settlement is made based on actual cost experience subsequent to the end of the plan year.

- Low-Income Member Cost-Sharing Subsidy — For qualifying low-income members, CMS pays on the member’s behalf some portion or all of a member’s cost-sharing amounts, such as deductibles and coinsurance. The cost-sharing subsidy is funded by CMS through monthly payments to the Company. The Company administers and pays the subsidized portion of the claims on behalf of CMS, and a settlement payment is made between CMS and the Company based on actual claims experience subsequent to the end of the plan year.

- CMS Risk Share — If the ultimate per member per month benefit costs of any Medicare Part D regional plan varies more than 2.5% points above or below the level estimated in the original bid submitted by the Company and approved by CMS, there is a risk-share settlement with CMS that is settled subsequent to the end of the plan year. The risk-share adjustment, if any, is recorded as an adjustment to premium revenues and other receivables or liabilities.

- Coverage Gap Discount Program (CGDP) – Members that incur drug costs for branded drugs in the coverage gap are entitled to a 50% discount from the manufacturer. Under the CGDP, Part D sponsors will receive monthly prospective payments from CMS. These prospective payments provide cash flow to Part D sponsors for advancing the gap discounts at the point of sale. On a quarterly basis, CMS will invoice manufacturers for discounts provided by Part D sponsors. Manufacturers will remit payments for invoiced amounts directly to Part D sponsors. The prospective payments made to Part D sponsors will be reduced by the discount amounts invoiced to manufacturers. These offsets will ensure that Part D sponsors do not receive duplicate payments for discounts made available to their enrollees.

The CMS premium, the member premium, and the low-income premium subsidy represent payments for the Company’s insurance risk coverage under the Medicare

Part D program; and therefore, are recorded as premium revenues in the statements of revenues and expenses — statutory basis. Premium revenues are recognized ratably over the period in which eligible individuals are entitled to receive prescription drug benefits. Premium payments received in advance of the applicable service period are recorded as unearned premiums.

The catastrophic reinsurance subsidy and the low-income member cost-sharing subsidies represent cost reimbursements under the Medicare Part D program. The Company is fully reimbursed by CMS for costs incurred for these contract elements and, accordingly, there is no insurance risk to the Company. Amounts received for these subsidies are not considered premium revenue, but are accounted for as ASC revenue when the corresponding claims are paid. As of December 31, 2012 and 2011, there were $1,598,000 and $3,729,000 payments received in advance of incurred costs, respectively. These outstanding advances are recorded as a liability for amounts held under uninsured accident and health contracts deposit liabilities in the statements of admitted assets, liabilities, and surplus — statutory basis.

The Coverage Gap Discount Program (CGDP) advance payments are recorded as Aggregate Health Policy Reserves in the balance sheet. Receivables are set up for manufacturer invoiced amounts. Manufacturer payments reduce the receivable as payments are received. After the end of the contract year, during Part D Payment reconciliation for the CGDP, CMS will perform a cost-based reconciliation to ensure the Part D sponsor is paid dollar for dollar for gap discounts advanced at the point of sale, based on accepted Prescription Drug Event (PDE) data.

Pharmacy benefit costs and administrative costs under the contract are expensed as incurred and are recognized in medical costs and operating costs, respectively, in the statements of revenues and expenses — statutory basis. Pharmacy benefit costs are recognized net of rebates. The Company has subcontracted third-party vendors for certain membership enrollment and pharmacy claims administration functions.

23. Industry Concentration - The Company conducts business within the state of Michigan. A significant portion of the Company’s customer base is concentrated in companies that are part of the automobile manufacturing industry. Receivables from the significant customers in this industry are $76,010,000 and $77,301,000 at December 31, 2012 and 2011, respectively. These receivables primarily represent reimbursable claims and administrative fees for services provided to them as part of their ASC arrangements with the Company. The Company held cash advances from these customers of $9,000,000 and $8,606,000 at December 31, 2012 and 2011, respectively, to partially offset these receivables. Under an ASC arrangement, the group sponsor retains the primary financial responsibility for the underwriting risk of its employees. The Company retains an element of credit risk to providers in the event reimbursement is not received from the plan sponsor. In addition, the Company holds investments in these customers’ equity securities, corporate bonds, commercial paper, and medium-term notes with a total fair value of $7,689,000 and $8,973,000 at December 31, 2012 and 2011, respectively.

24. Michigan Claims Tax – The Company bears the inherent credit risk of uncollectibility of the tax from customers and therefore records the tax under the gross method, whereby claims taxes collected and paid are recorded as revenue and expense, respectively.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

SSAP No. 101 — *Income Taxes* — Effective January 1, 2012, SSAP No. 101 replaces SSAP No. 10R. SSAP No. 101 changes the recognition of deferred taxes in several ways. First, under SSAP No. 10R, companies can elect to admit DTAs that they expect to realize within either one or three years of the balance sheet date, provided certain risk-based capital (RBC) levels are met and the total amount of admitted DTAs under this step was less than a stated percentage of adjusted capital. SSAP No. 101 instead provides two realization threshold limitation tables, which dictate the number of years of DTA reversals required to be considered (now 0-3) and the percentage of adjusted capital limitation (now 0-15%). Second, SSAP No. 101 will require uncertain tax positions to be evaluated on a “more- likely-than-not” standard, as opposed to the “probable” standard previously contained in SSAP No. 10R; also, under SSAP No. 101, companies must now assume that they will be subject to tax examinations by relevant authorities. Finally, tax planning strategies will now be expressly allowed, both for determining the admissibility tests as well as for determination of valuation allowances, provided that the strategies meet the “more-likely-than-not” standard. In years subsequent to December 31, 2011, the Company will change recognition of deferred taxes to the guidance under SSAP No. 101. The adoption of SSAP No. 101 in 2012 did not have a material effect on the Company’s statutory basis financial position or results of operations, but did impact how the disclosures were presented.

SSAP No. 5R — *Liabilities, Contingencies, and Impairments of Assets* — Effective December 31, 2011, SSAP No. 5R incorporates a requirement to recognize a liability, representing the fair value of the guarantee, at the inception of the guarantee. There is no requirement for liability recognition for guarantees provided to wholly owned subsidiaries or considered “unlimited;” however, they are subject to disclosure provisions. This SSAP provides for recognition for certain guarantees between parents and subsidiaries or between subsidiaries under common control. The adoption of SSAP No. 5R did not have a material impact on the Company’s statutory basis financial position or results of operations.

SSAP No. 66 — *Retrospectively Rated Contracts* — On March 26, 2011, the Statutory Accounting Principles Working Group (SAPWG) issued a non-substantive proposal #2011-11 providing clarification that SSAP No. 66 should be followed when accounting for MLR rebate liabilities so that the MLR rebate accrual is recorded as a reduction to the premium revenue for financial reporting purposes. The Company adopted clarification under SSAP No, 66 for the 2011 reporting period. The clarification did not have a material impact to the Company’s statutory basis financial position or results of operations for the year ended December 31, 2011.

SSAP No. 92 – *Accounting for Postretirement Benefits Other than Pensions, A Replacement of SSAP No. 14* and SSAP No, 102 – *Accounting for Pensions, A Replacement of SSAP No. 89* – Effective January 1, 2013, SSAP Nos. 92 and 102 replace SSAP Nos. 14 and 89. Under the existing guidance, minimum pension liability is established based on excess of accumulated benefit obligation for vested employees over the fair value of plan assets. The new guidance uses a projected benefit obligation including non-vested employees. The new guidance allows a transition option for phase-in not to exceed ten years. Additionally, the new guidance requires a change in measurement date to December 31st beginning in 2014. Upon adoption on January 1, 2013, the impact to the Company’s surplus assuming immediate recognition of SSAP Nos. 92 and 102 will be a decrease in surplus of approximately $426,000,000. However, the Company will adopt SSAP 92 and102 utilizing the transition option of not more than ten years.

SSAP No. 100 — *Fair Value Measurements* — On March 26, 2011, non-substantive revisions to SSAP No. 100 were effective on January 1, 2012. The non-substantive revisions require fair value measurement at the reporting date; separate line item disclosures of purchases, sales, issues, and settlements; disclosure of fair value hierarchy and the method used to obtain the fair value measurement of all items in which fair value is disclosed within the Annual Statement investment schedules; and disclosure in the notes to the financial statements, as of each date for which a statement of financial position is presented, the aggregate fair value for all financial instruments and the level within the fair value hierarchy in which the fair value measurements in its entirety fall. The adoption of SSAP No. 100 non-substantive revisions required the Company to provide additional disclosures for fair value measurements in 2012 but did not have a material impact to the Company's statutory basis financial position or results of operations for the year ended December 31, 2012.

3. BUSINESS COMBINATIONS – NOT APPLICABLE

4. DISCONTINUED OPERATIONS – NOT APPLICABLE

5. INVESTMENTS

A. Mortgage Loans –

The purchaser of the Company's Southfield service center issued a promissory note in the amount of $4,250,000 payable in three installment payments as agreed starting in October 2013. The purchaser agreed to pay an annual interest rate of 4% effective on the first day of the calendar quarter starting on January 1, 2013 until the note is fully paid. As of December 31, 2012, the outstanding balance of the note receivable is $4,250,000. No interest payment was due as of December 31, 2012.

B. Debt Restructuring – NOT APPLICABLE

C. Reverse Mortgages – NOT APPLICABLE

D. Loan-Backed Securities –

1) Loan-backed securities are stated at the lower of amortized cost or fair value. Premiums and discounts on loan-backed bonds and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker-dealer survey values or internal estimates. Changes in estimated cash flows from the original purchase assumptions are accounted for using the prospective method.

2) At December 31, 2012, the Company did not recognize other-than-temporary impairments for loan-backed or structured securities within the scope of SSAP No. 43R, *Loan-Backed Structured Securities*..

E. Repurchase Agreements and/or Securities Lending Transactions

1) Repurchase Agreements – NOT APPLICABLE

2) The Company has no pledged assets under its security lending transaction agreement.

3) The Company, in the normal course of business, enters into a security lending agreement with a custodian bank. Under this agreement, the Company requires collateral approximating at least 102% of the value of the securities loaned. The Company receives cash and non-cash collateral. The cash collateral is reinvested by the custodian bank in commingled trusts. The non-cash collateral is maintained in a separate account until the transaction is completed. The security lending agreement is primarily overnight in nature and subject to renewal or termination.

At December 31, 2012, for its loaned securities of $17,270,891, the Company received cash collateral of $17,620,770. The fair value of the cash collateral received is $17,363,515. During 2012, there were no non-cash collateral transactions.

F. Real Estate

The Company's service center located in Southfield, Michigan had been reported as "Held for Sale" status since September 2010. The Company impaired $4,849,000 in 2011. The property was sold in October 2012 for its carrying value. Additionally, all other real properties "held for sale" as of December 31, 2011 have been sold during 2012. The aggregate net loss from sale of "held for sale" properties was approximately $650,000. The loss from sale was reported with the net realized capital gains (loss) line of the investment gains line in the Statement of Revenues and Expenses.

G. Low-Income Housing Tax Credits – NOT APPLICABLE

6. JOINT VENTURES, PARTNERSHIPS, AND LIMITED LIABILITY COMPANIES

A. The Company has no investment in joint ventures, partnerships or limited liability companies that exceed 10% of its net admitted assets.

On November 30, 2011, the Company purchased a 38.7% interest in BMH, LLC for $131,900,000. BMH, LLC is a national leader in healthcare solutions for Medicaid beneficiaries and among the largest organization of Medicaid managed care plans in the U.S. The Company's strategic investment in BMH, LLC is aligned with the Company's initiatives to grow the Medicaid portion of the business. In addition to the initial investment, the Company has committed to invest an additional $44,000,000 in 2013 and up to $34,000,000 for growth capital between 2014 and 2015.

In September, 2011, the Company entered into a joint venture with WellPoint and Health Care Service Corporation to purchase BloomHealth. In 2012, the Company's ownership in BloomHealth was reduced from 28.7% to 26.05% interest. BloomHealth is an emerging healthcare technology company that provides innovative defined contribution and private exchange products for Blues plans.

B. At December 31, 2012, the Company recognized approximately $802,000 of impairment write-down for its investment in joint ventures, partnerships and limited liability companies.

7. INVESTMENT INCOME

A. Investment income due and accrued with amounts that are over 90 days past due will be non-admitted.

B. Investment income receivable non-admitted at December 31, 2012 and 2011 was $26,655 and $773,939, respectively.

In accordance with the Company's impairment policy, securities that have a fair market value that is below amortized cost are considered impaired and are analyzed and reviewed by management to determine if the impairment is other-than-temporary. Factors taken into account for each individual security include the length of time and extent to which the fair value has been less than the carrying value, the underlying financial condition and the specific circumstances that are impacting the issuer in the marketplace.

For internally managed debt securities, other-than-temporary impairment (OTTI) is present when a credit loss is determined to exist for the underlying security or the Company has the intent to sell the security before anticipated recovery of the amortized cost of the security or the Company has intent to hold and anticipates that the security will not recover. For loan-backed securities, if the Company has the ability and intent to hold the security to maturity, but does not expect recovery of the carrying value, the credit portion of the decline is recognized as an impairment loss. Interest-related impairments are not recognized as an impairment loss. Specific criteria for evaluating debt securities for impairment include the length of time and extent to which the fair market value was below carrying value, NAIC ratings, interest-coverage ratios, and ratings outlook. For equity securities that are internally managed, the Company evaluates whether it has the intent and ability to hold the security using a five-year rolling average to determine if there will be a full recovery in value. For internally managed investments with market values below cost that were determined not to have OTTI, the Company regularly monitors the existing unrealized losses and evaluates potential impairments to determine if OTTI needs to be recorded. For investments managed by outside investment managers, OTTI is presumed to exist when market values are below cost because the Company cannot assert the "intent and ability to hold to recovery."

The write-down to fair market value of debt securities resulted in approximately $12,483,000 and $17,041,000 in 2012 and 2011, respectively, of OTTI losses. For the years ended December 31, 2012 and 2011, OTTI losses of $14,972,000 and $36,822,000, respectively, were recorded for equity securities.

8. DERIVATIVE INSTRUMENTS – NOT APPLICABLE

9. INCOME TAXES

The components of the net deferred tax assets as of December 31, 2012 are as follows:

1.

	Description	12/31/2012 (1) Ordinary	(2) Capital	(3) (Col 1+2) Total
(a)	Gross deferred tax assets	$ 173,722,346	$ -	$ 173,722,346
(b)	Statutory valuation allowance	-	-	-
(c)	Adjusted gross deferred tax assets (1a-1b)	173,722,346	-	173,722,346
(d)	Deferred Tax Assets Nonadmitted	-	-	-
(e)	Subtotal Net Admitted Deferred Tax Asset (1c-1d)	173,722,346	-	173,722,346
(f)	Deferred Tax Liabilities	(73,867,095)	-	(73,867,095)
(g)	Net Admitted Deferred Tax Asset/ (Net Deferred Tax Liability) (1c-1d)	$ 99,855,251	$ -	$ 99,855,251

2.

	Admission Calculation Components SSAP No. 101	12/31/2012 (1) Ordinary	(2) Capital	(3) (Col 1+2) Total
(a)	Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ -	$ -	$ -
(b)	Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) Above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	$ 109,845,614	$ -	$ 109,845,614
	1. Adjusted Gross Deferred Tax Assets Expected To Be Realized Following The Balance Sheet Date	$ 109,845,614	$ -	$ 109,845,614
	2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	XXX	XXX	$ -
(c)	Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets from 2(a) and 2(b) Above) Offset by Gross Deferred Tax Liabilities	63,876,732	$ -	$ 63,876,732
(d)	Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total (2(a) + 2(b) + 2(c))	$ 173,722,346	$ -	$ 173,722,346

3.

Description	Change (1) Ordinary	Change (2) Capital	Change (3) (Col 1+2) Total
(a) Gross deferred tax assets	$ (37,577,230)	$ -	$ (37,577,230)
(b) Statutory valuation allowance	-	-	-
(c) Adjusted gross deferred tax assets (1a-1b)	(37,577,230)	-	(37,577,230)
(d) Deferred Tax Assets Nonadmitted	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c-1d)	(37,577,230)	-	(37,577,230)
(f) Deferred Tax Liabilities	33,804,758	-	33,804,758
(g) Net Admitted Deferred Tax Asset/ (Net Deferred Tax Liability) (1c-1d)	$ (3,772,472)	$ -	$ (3,772,472)

4.

Admission Calculation Components SSAP No. 101	Change (1) Ordinary	Change (2) Capital	Change (3) (Col 1+2) Total
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ -	$ -	$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) Above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	$ 4,906,741	$ -	$ 4,906,741
1. Adjusted Gross Deferred Tax Assets Expected To Be Realized Following The Balance Sheet Date	$ 4,906,741	$ -	$ 4,906,741
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	XXX	XXX	$ -
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets from 2(a) and 2(b) Above) Offset by Gross Deferred Tax Liabilities	$ (42,483,973)	$ -	$ (42,483,973)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total (2(a) + 2(b) + 2(c))	$ (37,577,232)	$ -	$ (37,577,232)

The Company has met the necessary Risk-Based Capital levels to be able to admit the increased amount of deferred tax assets under SSAP No. 101 – A Replacement of SSAP No. 10R and SSAP No. 10. In 2012 the DTA admitted asset thresholds of SSAP No. 101 paragraph 9A(2)b2 were exceeded therefore the increase in admitted DTA under SSAP No. 101 paragraph 9A(2)b1 for 2012 was $109,845,614.

In 2012, there are no temporary differences for which a DTL has not been established.

The components and change in the net deferred tax assets as of December 31, 2011 are as follows:

Description	2011 Ordinary	2011 Capital	2011 Total	Change During 2011 Ordinary	Change During 2011 Capital	Change During 2011 Total
Gross deferred tax assets (DTAs)	$ 211,299,578	$ -	$ 211,299,578	$ (884,695)	$ -	$ (884,695)
Statutory valuation allowance	-	-	-	-	-	-
Adjusted gross deferred tax assets	211,299,578	-	211,299,578	(884,695)	-	(884,695)
Gross deferred tax liabilities (DTLs)	(107,671,860)	-	(107,671,860)	59,425,695	-	59,425,695
Net deferred tax asset (liability) before admissibility test	103,627,718	-	103,627,718	58,541,000	-	58,541,000
Admitted pursuant to:						
10.a.	-	-	-	-	-	-
10.b.i.	48,202,679	-	48,202,679	(11,123,250)	-	(11,123,250)
10.b.ii.	266,373,753	-	266,373,753	10,348,401	-	10,348,401
Admitted pursuant to 10.b.(lesser of i. or ii.)	48,202,679	-	48,202,679	(11,123,250)	-	(11,123,250)
Admitted pursuant to 10.c.	107,671,860	-	107,671,860	(45,186,484)	-	(45,186,484)
Total admitted under 10.a., b., c.	155,874,539	-	155,874,539	(56,309,734)	-	(56,309,734)
Additional admitted pursuant to:						
10.e.i.	-	-	-	-	-	-
10.e.ii.a.	56,736,194	-	56,736,194	56,736,194	-	56,736,194
10.e.ii.b.	399,560,629	-	399,560,629	399,560,629	-	399,560,629
Additional admitted pursuant to 10.e.ii. (lesser of a. or b.)	56,736,194	-	56,736,194	56,736,194	-	56,736,194
Additional admitted pursuant to 10.e.iii.	56,736,194	-	56,736,194	56,736,194	-	56,736,194
Admitted deferred tax asset	211,299,578	-	211,299,578	(884,695)	-	(884,695)
Deferred tax liability	(107,671,860)	-	(107,671,860)	59,425,695	-	59,425,695
Net admitted DTA	103,627,718	-	103,627,718	$ 58,541,000	$ -	$ 58,541,000
Nonadmitted DTA	$ -	$ -	$ -	$ -	$ -	$ -

Description	2011 Total With s 10.a.-c.	2011 Total With s 10.e.	2011 Difference
Admitted DTA	$ 155,874,539	$ 211,299,573	$ 55,425,034
Admitted assets	6,906,150,223	6,961,575,260	55,425,037
Statutory surplus	2,734,226,915	2,789,651,952	55,425,037
Risked based capital statutory surplus	2,734,226,915	2,789,651,952	55,425,037
Authorized control level used in 10.d	414,539,579	414,539,579	-

In 2011, the Company has met the necessary Risk-Based Capital levels to be able to admit the increased amount of DTA under SSAP No. 10R and has elected to admit DTAs pursuant to paragraph 10.e of SSAP No. 10R. In 2011, the DTA admitted asset thresholds of SSAP No. 10R paragraph 10.d. were exceeded and the increase in admitted DTA under SSAP No. 10R paragraph 10.e. for 2011 was $55,425,034.

There are no temporary differences for which a DTL has not been established as of December 31, 2011.

The current income taxes incurred consist of the following major components:

Description	2012	2011
Current income tax expense	$ 13,852,826	$ 73,607,413
Loss carrybacks	-	-
Tax planning strategies and other	20,299,919	750,000
Federal income taxes incurred	$ 34,152,745	$ 74,357,413

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset are as follows:

DTA Resulting From Book/Tax Differences	December 31 2012	December 31 2011	Change	Character
Discount of claim reserves	$ 1,210,159	$ 1,438,874	$ (228,715)	Ordinary
Amounts accrued for premium deficiency	60,520,101	67,848,736	(7,328,635)	Ordinary
Accrued expenses and bad debts	35,515,176	33,899,930	1,615,246	Ordinary
Amounts accrued for postretirement benefits	76,476,910	108,112,038	(31,635,128)	Ordinary
Gross DTA	$ 173,722,346	$ 211,299,578	$ (37,577,232)	
Nonadmitted DTA	$ -	$ -	$ -	

DTL Resulting From Book/Tax Differences	December 31 2012	December 31 2011	Change	Character
Amounts prepaid for pension benefits		$ 17,459,961	$ (17,459,961)	Ordinary
Depreciation, amortization	34,127,586	35,902,554	(1,774,968)	Ordinary
Capital gain on investments/Other investments	20,161,579	431,161	19,730,418	Capital
Deferred ASC revenue		53,679,018	(53,679,018)	Ordinary
Other	19,577,930	199,166	19,378,764	Ordinary
Gross DTL	$ 73,867,095	$ 107,671,860	$ (33,804,765)	

The change in net deferred income taxes is composed of the following (this analysis is exclusive of non-admitted assets as the change in non-admitted assets is reported separately from the change in net deferred income taxes in the surplus section of the annual statement):

	December 31 2012	December 31 2011	Change
Total deferred tax assets	$ 173,722,346	$ 193,839,615	$ (20,117,269)
Total deferred tax liabilities	(73,867,095)	(90,211,899)	16,344,804
Net deferred tax asset	$ 99,855,251	$ 103,627,716	(3,772,465)
Tax effect of unrealized (gains)/losses			32,062,774
Tax effect of other adjustments			1,009,789
Change in net deferred income tax (Decrease to Surplus)			$ 29,300,098

The actual effective tax rate differs from the effective Alternative Minimum Tax (AMT) rate of 20 % primarily due to the tax impact recognized on the tax adjustments attributable to prior years.

Under current tax law, the Company is subject to the 20% AMT rate. Given the preference items afforded Blue Cross and Blue Shield organizations, management believes it is likely to remain an AMT taxpayer. The deferred tax assets are recorded at the AMT tax rate of 20%. In addition, the Company has an AMT credit carry forward of $584,917,732. Even though the credit can be carried forward indefinitely and will not expire, the credit is not carried as a deferred tax asset, because no utilization of the credit can occur unless either: a) the Company's tax preferences as a Blue Cross and Blue Shield organization are legislatively repealed; or b) the Company fails the medical loss ratio under IRC §833(c)(5).

The Company and its taxable subsidiaries Accident Fund Holdings and LifeSecure Holdings file a consolidated federal income tax return. Each taxable subsidiary is responsible for its own federal tax liability and the Company has tax sharing agreements in place with Accident Fund Holdings and LifeSecure Holdings. The Company's tax returns have been audited and settled through 2005. The Company's tax returns for 2006 through 2011 are currently under examination by the IRS.

Under SSAP No. 5, the Company is required to evaluate all tax positions as to their relative uncertainty and certainty. On examination of all relevant facts and circumstances for the Company's tax issues, it was determined that there were no material uncertain tax accounting positions as of December 31, 2012 and 2011.

Under SSAP No. 101, the Company was able to recognize gross DTA in excess of gross DTL only to the extent that the gross DTA in excess of gross DTL are expected to be realized within three years of the balance sheet date, not to exceed 15% of the Company's adjusted capital and surplus. In applying the criteria of SSAP No. 101 to determine its gross adjusted deferred tax assets of $173,722,346 and net admitted tax assets of $99,855,251 in 2012, the Company did not utilize any explicit tax planning strategies.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES AND OTHER RELATED PARTIES

The Company owns 100% of Blue Care Network of Michigan (BCNM), a HMO subsidiary that provides health care services to subscribers and contracts with various physician groups, hospitals and other health care providers to provide such services. The Company also owns 100% of Accident Fund Holdings, Inc. (AFHI), the holding company of Accident Fund Insurance Company of America (Accident Fund), a provider of workers' compensation insurance. Additionally, the Company owns 100% of LifeSecure Holdings Corporation, the holding company of LifeSecure Insurance Company, a long-term care insurance subsidiary.

The Company has agreements with each of its wholly owned subsidiaries under which both or either parties may provide services to each other. The agreements provide for monthly payments and a year-end settlement based on actual cost of services performed. All related-party receivable and payable balances are recorded as either amounts due to or from subsidiaries and affiliates.

Also, the Company has service contracts with its affiliates, NASCO, LLC and BloomHealth. NASCO provides Blue plans with the ability to support national accounts' benefit administration in a centralized, uniform manner. There is a significant volume of inter-company transactions between the Company and NASCO and a high degree of technological dependency between the two organizations. NASCO's strategic value to the Company is significant as the Company's primary claim systems were developed utilizing the NASCO platform. As such, the Company's operating expense includes charges for system fee payments to NASCO. Reimbursements received under ASC group arrangements are recorded as a recovery of the fee through operating expense.

BloomHealth is an early-stage company that provides solutions to enable employers to move a defined-contribution health care and benefits model. Products include account administration for employers and trusts, and personal benefit shopping tools for employees and members to select and interact with benefit packages.

The Company partnered with BloomHealth to assist in the development of a platform for enhanced health plan functionality, including the decision-support tool and integrating the Company's current account administrator, and the development of potential single-point underwriting, consumer analytics and other insurance and financial products.

At December 31, 2012 and 2011, the Company had receivables from subsidiaries amounting to $100,963,203 and $88,506,933 respectively, and payable to subsidiaries of $50,367,059 and $51,755,461 respectively.

The receivables are primarily due to management and administrative services performed by the Company. In addition, as described in Note 12, an intercompany receivable in the amount of $72,152,782 was established for postretirement costs that will be paid to the Company by BCNM over a 20-year period as a result of the BCNM employees becoming the Company employees effective January 1, 2010. The outstanding balance of this intercompany receivable as of December 31, 2012 and 2011 is $57,722,225 and $62,887,420, respectively.

The payables are primarily attributable to hospital settlement recoveries attributable to BCNM of $47,603,970 and $32,213,790 respectively. Under this agreement, BCNM's portion of underpayments due to hospitals or overpayment recoveries from hospitals will be established as a receivable or payable by the Company as applicable. The payable balance also includes intercompany deferred tax and tax sharing amounts of $0 and $17,458,594 in 2012 and 2011, respectively, for the Company's taxable subsidiaries. In 2012, intercompany deferred tax and tax-sharing amounts were re-classed to deferred tax asset and federal income tax payable accounts, respectively.

The Company performs various claims processing and management services for its subsidiaries and affiliates. During 2012 and 2011, these services performed for subsidiaries and affiliates totaled $956,779,769 and $994,140,621 respectively. No dividends were declared from the subsidiaries in 2012 or 2011.

The Company has provided the following guarantees for its subsidiaries.

BCNM — In accordance with the Blue Cross Blue Shield Association guidelines, the Company guarantees to the full extent of its assets, all of the contractual and financial obligations of Blue Care Network of Michigan and Blue Care of Michigan, Inc (BCMI) and their subsidiaries, to its customers. At December 31, 2012, BCNM and BCMI minimum capital threshold is approximately $175,000,000. BCNM and BCMI statutory surplus is approximately $899,000,000 as of December 31, 2012.

LifeSecure — The Company shall take all actions reasonably necessary to insure that LifeSecure is in compliance with the states of Rhode Island, California and New Jersey's statutory requirements, including maintaining a level of capital and surplus greater than the risk-based capital at 250 percent authorized control level and not less than the statutory minimum capital and surplus required by the applicable provisions of the Insurance Code of the respective states. At December 31, 2012, LifeSecure's minimum capital threshold based on the above requirement is approximately $8,600,000. LifeSecure's statutory capital and surplus is approximately $23,771,000, as of December 31, 2012. In addition, the Company executed a financial guarantee agreement with American Fidelity Assurance Company (AFA) to facilitate the reinsurance transaction between LifeSecure and AFA. The Company's maximum guarantee represents the total benefit liabilities under the reinsurance contract, which is approximately $60,000,000 to $70,000,000, as of December 31, 2012.

EIN — As part of the lease transaction with EIN, the Company has executed a financial guarantee with the lessor in the event that EIN fails to pay any amounts due and owing under the lease. The approximate net present value of the rent obligation for the 15-year lease term is $72,655,000.

11. DEBT

A. The carrying value of the outstanding loans as of December 31, 2012 and 2011 is as follows:

	12/31/2012	**12/31/2011**
Federal Home Loan Bank of Indianapolis (FHLBI): 0.11% - 0.22%, due 2016	$ 46,000,000	$ 46,000,000
FHLBI: 0.49% - 3.40%, due 2011 - 2018 (includes accrued interest)	992,911,591	1,008,250,191
Bank of Nevada secured debt: 4.73% due 2013	8,349,958	19,033,164
RBS Asset secured debt: 3.46% - 4.65%, due 2013 - 2014	14,695,212	25,287,050
Total outstanding debt	$ 1,061,956,761	$ 1,098,570,405

Total debt interest expense as of December 31, 2012 and 2011 was $19,317,716 and $16,285,822 respectively.

The table below summarizes available letters of credit related to the secured debt.

Letters of Credit Commitments	**Date**	**Amount**	**Amount**
Bank of Nevada	2014	100	$ 19,900,000
RBS Asset	2014	100	5,228,000
RBS Asset	2015	100	9,468,000

As of December 31, 2012, future minimum payments required for the outstanding borrowings due are as follows:

Years Ending December 31	
2013	385,473,747
2014	5,483,014
2015	150,000,000
2016	96,000,000
2017	275,000,000
2018 and thereafter	150,000,000
Total minimum payments	$ 1,061,956,761

As of December 31, 2012 the carrying value and fair value of the outstanding debt was $1,061,956,961 and $1,103,252,357, respectively. As of December 31, 2011, the carrying value of the outstanding debt approximated its fair value. The Company used a discounted cash flow method in determining fair value of outstanding debt. The Company estimated fair value based on its own assumptions about future cash flows and appropriate adjusted discount factors. The use of assumptions constitutes a level 3 categorization for fair market value determination due to the use of significant unobservable inputs used in determining the fair market value.

B. The Company is a member of the FHLBI and currently owns $60,018,030 in FHLBI common stock. Through its membership, the Company has short-term, long-term and line of credit borrowing privileges. Total borrowing capacity is $2,000,000,000, of which, $927,320,728 is currently available. Outstanding borrowings with the FHLBI total $1,038,911,592 and $1,054,250,191 at December 31, 2012 and 2011, respectively. The weighted-average borrowing rate at December 31, 2012 and 2011 is 1.69% and 1.64%, respectively.

The $46,000,000 borrowing has a 10-year term and is subject to floating interest provisions that are reset every three months based on the FHLBI's cost of funds.

All FHLBI debt is collateralized by government securities at approximately 105% of the outstanding loan balance. As of December 31, 2012, total collateral of outstanding borrowings is $1,292,127,135.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POST EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

Defined Contribution Plan — Represented employees of the Company who have attained the age of 21 years and have completed three months of continuous service are automatically enrolled in the savings plan for represented employees. Non-represented employees over 21 years of age are automatically enrolled in the savings plan for non-represented employees upon their employment commencement date. Both savings plans are tax-qualified under Section 401(k) of the Internal Revenue Code (IRC). For both non-represented and represented employees, the Company matches 50% of employee contributions up to 10% of biweekly adjusted W-2 wages for employees with one year of continuous service. The IRC limit on elective employee deferrals was $17,000 and $16,500 for 2012 and 2011. The IRC allows catch-up contributions in addition to normal, elective contributions for employees who are age 50 or older as of December 31 in the amount of $5,500 for 2012 and 2011. Catch-up contributions are not matched by the Company. The Company's expense for matching contributions totaled approximately $16,065,000 and $14,981,000 for 2012 and 2011, respectively.

Defined Benefit Plan — Company has two defined benefit pension plans as follows:

Retirement Account Plan — Non-represented employees who meet specified age and service requirements participate in this plan which is a cash balance arrangement. Pension benefits of participants in this plan become vested after three years of service. Participants have an initial account balance to which interest and earnings credits are added. Participants employed prior to January 1, 1999 have an initial account balance based on their accrued benefit under a prior defined benefit plan the Company sponsored for non-represented employees while non-represented participants hired after January 1, 1999 have an initial account balance of zero. Subject to an annual 4 percent minimum, interest is credited quarterly based on the yield on one year Treasury Constant Maturities for the August immediately preceding the plan year. Annual earnings credits ranging from 3% to 10 % based on date of hire are credited on a monthly basis. Employees can elect to receive lump sum value of their vested account balance upon termination or can elect monthly payments or a lump sum upon retirement age.

Represented Employees' Retirement Income Plan — Represented employees who meet specified age and service requirements participate in this plan which for represented employees hired prior to January 1, 2009 is an average final pay plan and for post January 1, 2009 new hires is a cash balance plan. Participants benefiting under the cash balance provisions vest after three years of service while participants benefiting under the final average pay provisions vest after five years of service. Under the final average pay provisions, the post-retirement monthly benefit is 1.4% times average monthly earnings times years of credit service. For post January 1, 2009 represented new hires, the plan provides an account balance that grows through earnings and interest credits similar to the plan for non-represented employees. Each month, represented employees benefiting under the cash balance provisions receive earning credits of 6.4% of defined monthly adjusted pay. Interest is credited quarterly and is based on the yield of the one year Treasury constant maturities for the August immediately preceding the plan year. Represented participants participating under the plan's cash balance provisions can elect to receive the lump sum value of their vested account balance upon termination or monthly payments or a lump sum at retirement age.

Pension Trust Investment Policy — Plan assets for both the non-represented and represented employee's pension plans are held in a single Master Trust with State Street Bank. Each plan owns its allocable share of all Master Trust assets. Master Trust assets are for the exclusive benefit of participants and can only be used to pay plan benefits and administrative expenses. Plan assets in the Master Trust are currently managed by 11 external investment managers with assets allocated to equity, fixed-income securities, cash and alternative investments based on investment policies and objectives.

The Company's investment policy is based on its objectives, characteristics of pension liabilities, capital market expectations, and asset-liability projections. The policy is long-term oriented and consistent with the Company's risk posture and periodically reviewed by the Pension Advisory Committee.

Under the existing policy, which was revised in 2010, the pension trust asset allocation is transitioning to an allocation that will reduce balance sheet and funding volatility for the Company while ensuring the continued maintenance of trust assets sufficient to cover plan benefits and expenses. In the past, the allocation strategy placed greater emphasis on achieving asset performance targets and had a greater allocation of return seeking assets.

The ultimate target allocation under the Company's investment policy is 60% long duration fixed income securities and 40% return-seeking assets. Return-seeking assets under the policy are defined as any asset class other than long duration fixed income securities and include publicly traded equities, publicly traded high-yield fixed income securities and fund of fund private equity. At December 31, 2012 and 2011, the actual allocation of Plan assets is approximately 30% long duration fixed income securities and 70% return-seeking assets. The targeted pension asset allocation under the investment policy will occur over the next several years as the funded status of the pension improves. Under the policy, at least 95% of pension assets will, at all times, be invested in publicly traded equities, fixed income securities and cash.

The Company provides certain health care and selected other post-retirement benefits to all eligible employees and dependents of employees who retire from active employment. Eligibility for post-retirement health care is subject to following benefit and service eligibility requirements:

Non-represented Employees Hired	**Prior to 1/1/04**	**After 1/1/04 but Before 1/1/07**	**On or After 1/1/07**
Years of service requirement	10 after age 45	15 after age 45	15 after age 45
Participants benefit cost responsibility	N/A	N/A	100 %
Cap on annual increase in health care costs paid by the Company if not retired by 1/1/10 [a]	4 %	4 %	N/A

Represented Employees Eligible to Retire

Hired	Prior to January 1, 2006	Prior to January 1, 2006	January 1, 2006 to January 1, 2009
Eligible to Retire	Before January 1, 2016	January 2, 2016 - January 1, 2026	After January 1, 2026
Years of Service	10 Years after age 45	10 Years after age 45	15 Years after age 45
Premium Sharing	No	Yes	Yes

Represented employees hired after January 1, 2009 are not eligible for post-retirement health care.

All participants in the non-represented plan and the represented plan are required to enroll in the Medicare Advantage program upon reaching age 65.

Postretirement health care benefits are subject to revision at the discretion of the Company's chief executive officer for non-represented employees and for represented employees, is subject to collective bargaining agreements.

The Company's postretirement health care plans are unfunded.

Effective January 1, 2009, all employees of Blue Care Network became employees of the Company. As part of the employee transfer, the Company assumed responsibility for administering and funding pension and other postretirement benefits for the former Blue Care Network employees and retirees. Current pension and postretirement costs are reimbursed to the Company from Blue Care Network on a pay-as-you-go basis. In exchange for assuming the prior year's unfunded postretirement health obligation of $72,153,000, the parties executed an intercompany transfer agreement, whereby Blue Care Network will repay the obligation assumed by the Company with annual installments, over a 20-year term, of $3,608,000 annually. The intercompany postretirement balance was $57,722,000 and $62,887,000 at 2012 and 2011, respectively. Intercompany cash transfers of $8,162,000 and $6,234,000 in 2012 and 2011, respectively, were made between Blue Care Network and the Company for pension costs. Also, BCN paid the

Company $6,926,000 and $7,987,000 in 2012 and 2011, respectively, for its share of the post-retiree health care costs.

A summary of assets, obligations, and assumptions of the pension and other postretirement benefit plans at plan measurement dates of September 30, 2012 and 2011, and as recorded as of December 31, 2012 and 2011, are as follows:

	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
Change in benefit obligation:				
Benefits obligation — beginning of year	$ 1,143,951,000	$ 1,101,605,000	$ 621,159,000	$ 632,644,000
Service cost	46,669,000	40,186,000	27,672,000	32,988,000
Interest cost	59,736,000	58,006,000	32,179,000	33,719,000
Actuarial loss (gain)	176,000,000	1,574,000	62,925,000	(47,470,000)
Benefits and administrative expenses paid	(56,359,000)	(57,626,000)	(28,654,000)	(30,721,000)
Amendments	22,000	206,000		
BCN employee merger				
Curtailment/settlement recognition				
Benefits obligation — end of year	$ 1,370,019,000	$ 1,143,951,000	$ 715,281,000	$ 621,160,000

	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2010
Change in plan assets:				
Fair value of plan assets — beginning of year	$ 793,455,000	$ 725,760,000	$ -	$ -
Actual return on plan assets	165,587,000	42,541,000		
Contributions received	89,572,000	79,576,000		
Benefits and administrative expenses paid	(53,384,000)	(54,422,000)		
Fair value of plan assets — end of year	$ 995,230,000	$ 793,455,000	$ -	$ -

	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
Funded status:				
Projected benefit obligation	$ 1,370,019,000	$ 1,143,950,000	$ 715,281,000	$ 621,159,000
Fair value of plan assets	995,230,000	793,455,000		
Unfunded status	374,789,000	350,495,000	715,281,000	621,159,000
Unamortized prior service cost	(5,204,000)	(6,316,000)	26,741,000	34,637,000
Unrecognized net (loss) gain	(506,358,000)	(443,357,000)	(210,027,000)	(156,487,000)
Contribution between measurement date and fiscal year end	(735,000)	(721,000)		
Additional minimum liability	415,933,000	370,515,000		
Net pension liability	$ 278,425,000	$ 270,616,000	$ 531,995,000	$ 499,309,000
Accrued pension expense included in other liabilities	$ 278,425,000	$ 270,616,000	$ 531,995,000	$ 499,309,000
Information for pension plans with an accumulated benefit obligation in excess of plan assets:				
Projected benefit obligation	1,370,019,000	1,143,951,000		
Accumulated benefit obligation	1,274,390,000	1,064,793,000		
Fair value of plan assets	995,230,000	793,455,000		

Pursuant to the guidance contained in SSAP No. 89, *Accounting for Pensions*, when the accumulated benefit obligation (ABO) of the pension plan exceeds fair value of plan assets at the measurement date, an additional minimum liability (AML) is required to be recognized in the Company's statutory basis financial statements, with a corresponding reduction to statutory surplus. The AML amounts at December 31, 2012 and 2011 are $415,933,000 and $370,515,000.

Projected benefit obligation as of December 31, 2012 and 2011, for non-vested employees are as follows:

	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
Projected benefit obligation for nonvested employees	$ 19,557,000	$ 16,544,000	$ 127,145,000	$ 110,599,000

Components of net periodic benefit cost as of December 31, 2012 and 2011 are as follows:

	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
Service cost	$ 46,669,000	$ 40,186,000	$ 27,672,000	$ 32,988,000
Interest cost	59,736,000	58,006,000	32,179,000	33,719,000
Expected return on plan assets	(72,603,000)	(69,144,000)		
Amortization	21,162,000	16,209,000	(911,000)	4,059,000
Total benefit cost	$ 54,964,000	$ 45,257,000	$ 58,940,000	$ 70,766,000

The assumptions used in determining the actuarial present value of the projected benefit obligations as of December 31, 2012 and 2011, as listed above are as follows:

	Pension Benefits		Postretirement Benefits	
	2012	**2011**	**2012**	**2011**
Discount rate	4.23 %	5.15 %	4.38 %	5.60 %
Rate of compensation increase	5.55	5.58		
Expected long-term rate of return on plan assets	8.00	8.00		

For 2012 measurement purposes, the health care trend rate on covered postretirement benefits is assumed to be:

	Pre 65	**Post 65 Non Medicare Advantage**	**Post 65 Medicare Advantage PPO**	**Medicare Advantage HMO**
Trend Rate in 2012	7.80 %	7.20 %	11.40 %	8.88 %
Grading down to in 2020 and beyond	5.00 %	5.00 %	5.00 %	5.00 %

For 2012 measurement purposes, the drug care trend rate on covered postretirement benefits is assumed to be 7.2% for 2013, ratably downgrading to 5% by 2016 and all years thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-Percentage-Point Increase	**One-Percentage-Point Decrease**
Effect on total of service and interest cost components	$ 8,182,000	$ (6,069,000)
Effect on postretirement benefit obligation	105,718,000	(79,754,000)

The gross benefit payments expected to be paid and Medicare Part D subsidies anticipated to be received by the Company as of December 31, 2012, are as follows:

	Pension Benefits	Postretirement Benefits	
Years Ending December 31	**Future Benefit Payments**	**Future Benefit Payments**	**Anticipated Future Subsidies**
2013	$ 65,550,000	$ 39,200,000	$ 2,420,000
2014	74,250,000	41,070,000	2,790,000
2015	84,300,000	43,440,000	3,140,000
2016	85,890,000	45,380,000	3,500,000
2017	88,100,000	47,380,000	3,900,000
2018 through 2022	505,020,000	271,310,000	25,710,000
Total	$ 903,110,000	$ 487,780,000	$ 41,460,000

The fair values of the Company's retirement income plan assets by asset category at September 30, 2012 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash equivalents	$ 39,874,000	$	$	$ 39,874,000
Commingled Pension Trust (A)		323,226,000		323,226,000
Insurance Annuity Contract			461,000	461,000
Limited Partnership			37,380,000	37,380,000
Equity securities - U.S. Companies	233,588,000	29,097,000		262,685,000
U.S. Treasury securities	85,374,000			85,374,000
Corporate bonds (B)		245,652,000		245,652,000
Mortgage-backed securities		578,000		578,000
Total	$ 358,836,000	$ 598,553,000	$ 37,841,000	$ 995,230,000

(A) Includes pension master trust's interest in PIMCO stock-plus limited partnership, a commingled fund representing the pension core equity allocation and bench marked against the S&P 500 of $205,515,000 and master trust's holding in Capital Guardian Non US Equity Fund, a commingled trust representing the pension's international equity allocation $117,711,000.

(B) Corporate bonds include fixed-income securities in separately managed portfolios. The diversified fixed income mandate is targeted at 30% of pension assets and is managed by Western Asset Management Company. Loomis Sayles and Company manages a high-yield fixed-income portfolio targeted at 9% of pension assets.

The fair values of the Company's retirement income plan assets by asset category at September 30, 2011 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash equivalents	$ 38,403,000	$ 2,174,000	$	$ 40,577,000
Commingled Pension Trust (A)		207,831,000		207,831,000
Insurance Annuity Contract			566,000	566,000
Limited Partnership			37,436,000	37,436,000
Equity securities - U.S. Companies	214,786,000	17,375,000	214,000	232,375,000
U.S. Treasury securities	78,352,000			78,352,000
Corporate bonds (B)		194,713,000	42,000	194,755,000
Mortgage-backed securities		1,220,000	343,000	1,563,000
Total	$ 331,541,000	$ 423,313,000	$ 38,601,000	$ 793,455,000

(A) Includes pension master trust's interest in PIMCO stock plus limited partnership, a commingled fund representing the pension core equity allocation and bench marked against the S&P 500 of $143,935,000 and master trust's holding in Capital Guardian Non US Equity Fund, a commingled trust representing the pension's international equity allocation $63,890,000.

(B) Corporate bonds include fixed-income securities in separately managed portfolios. The diversified fixed income mandate is targeted at 30% of pension assets and is managed by Western Asset Management. Loomis Sayles and Company manages a high yield fixed-income portfolio targeted at 9% of pension assets.

The Company's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for 2012 and 2011, is presented as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Equities	Limited Partnership	Insurance Annuity	Other	Total
Beginning balance at October 1, 2010	$ 0	$ 24,562,000	$ 658,000	$ 0	$ 25,220,000
Actual return on plan assets:					
Relating to assets still held at the reporting date	80,000	8,122,000		1,000	8,203,000
Relating to assets sold during the period					
Purchases, sales, and settlements		4,752,000	(92,000)	342,000	5,002,000
Transfers in and/or out of Level 3	134,000			42,000	176,000
Ending balance at September 30, 2011	214,000	37,436,000	566,000	385,000	38,601,000
Actual return on plan assets:					
Relating to assets still held at the reporting date	84,000	1,096,000		(49,000)	1,131,000
Relating to assets sold during the period			(116,000)		(116,000)
Purchases, sales, and settlements		(1,152,000)	11,000	(4,000)	(1,145,000)
Transfers in and/or out of Level 3	(298,000)			(332,000)	(630,000)
Ending balance at September 30, 2012	$ -	$ 37,380,000	$ 461,000	$ -	$ 37,841,000

The Company contributed $89,572,000 in 2012 and $79,576,000 in 2011 to its defined benefit pension plans. As of December 31, 2012, the Company expects to contribute up to $30,000,000 in required contributions and possibly up to another $60,000,000 in voluntary contributions to its defined benefit pension plans in 2013.

Nonqualified Plans — Retirement benefits are provided for a group of key employees under nonqualified defined benefit pension plans. The general purpose of the plans is to provide additional retirement benefits to participants who are subject to the contribution and benefit limitations contained in the Internal Revenue Code. Benefits under the plans are unfunded and paid out of the general assets of the Company. The accumulated benefit obligation for these plans was $39,326,000 and $30,806,000 at September 30, 2012 and 2011, respectively.

13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

A. Under the provisions of P.A. 350 of the State of Michigan, the Company must maintain adequate subscriber reserves to comply with Section 403 of the Michigan Insurance Code, which requires authorized insurers to be safe, reliable and entitled to public confidence. As a result, the Company is required to file with OFIR, on an annual basis, its risk-based capital (RBC) calculation based on the National Association of Insurance Commissioners (NAIC) model. P.A. 350 requires the Company to maintain a RBC ratio of at least 200% but not to exceed 1,000% of subscriber reserves. In addition, under the terms of the Company's license agreement with the Blue Cross Blue Shield Association (BCBSA), if the Company's RBC ratio is between 375% and 200%, it is subject to financial monitoring. If the Company's RBC ratio falls below 200%, the license agreement with BCBSA is subject to termination. At December 31, 2012 and December 31, 2011, the Company was in compliance with both the OFIR and BCBSA RBC requirements.

B. BCBSM has no preferred stock outstanding.

C Under the provisions of P.A. 350, the Company is deemed a charitable and benevolent institution whose primary purpose is to promote the distribution of healthcare services for all Michigan residents. As such, the Company has no investors or contributed capital.

D. Dividend payment restriction – NOT APPLICABLE

E. Surplus Restriction – NOT APPLICABLE

F. The total amount of advances to surplus not repaid – NOT APPLICABLE

G. The amount of stock held by BCBSM for special purposes – NOT APPLICABLE

H. Special surplus funds changes – NOT APPLICABLE

I. The portion of unassigned funds (surplus) represented or reduced by each item below:

a. Unrealized gains and losses	$	281,899,223
b. Nonadmitted asset values	$	7,713,918
c. Provision for reinsurance	$	-

J. Surplus debentures of similar obligations – NOT APPLICABLE

K. Impact of any restatement due to quasi-reorganization – NOT APPLICABLE

L. Effective dates of all quasi-reorganizations in the prior 10 years – NOT APPLICABLE

14. CONTINGENCIES

A. Contingent Commitments – NOT APPLICABLE

B. Assessments – NOT APPLICABLE

C. Gain Contingencies – NOT APPLICABLE

D. Claims Related Extra Contractual Obligation Lawsuits – NOT APPLICABLE

E. All Other Contingencies

Hospital Contracts — On October 18, 2010 the U.S. Department of Justice filed a lawsuit against the Company seeking to restrict its ability to provide the most deeply discounted rates from Michigan hospitals alleging that the use of most favored nation provisions in hospital contracts restricts marketplace competition. The Department of Justice is seeking injunctive relief that would prevent the Company from using similar language in any of its current or future contracts with providers. The lawsuit is not seeking financial damages. Two civil lawsuits alleging the similar legal arguments as the U.S. Department of Justice lawsuit have also been filed seeking injunctive and monetary relief. The Company believes that these lawsuits are without merit and will defend its ability to negotiate the deepest possible discounts for its members and customers with Michigan hospitals. As these lawsuits are in the early stages of development, it is not yet possible to make an assessment regarding probability of an adverse outcome, nor estimate a range of potential loss. Aetna has indicated, during the course of discovery, that they are seeking in excess of $1 billion in damages.

Customer Disputes — The Company is currently involved in lawsuits with several local self-funded group customers that allege the Company charged the groups provider network and other fees without their knowledge. The groups allege breach of contract and fiduciary duty. These cases are in various stages of development. The Company believes it has meritorious defenses and the Michigan Court of Appeals has overturned one of the adverse decisions.

Accident Fund — In 2007 the Company made a $125,000,000 capital contribution to the Accident Fund to ensure that the subsidiary maintained its financial rating and competitive position in the marketplace. The Michigan Attorney General filed a lawsuit that the capital contribution violated PA 350 which prohibits the Company from subsidizing the Accident Fund. The last remaining claim has been dismissed by the trial court in favor of BCBSM. The Michigan Attorney General has filed an appeal.

Other — The Company is a defendant in numerous other lawsuits and involved in other matters arising in the normal course of business primarily related to subscribers' benefits, breach of contracts, provider reimbursement issues and provider participation arrangements. The Company defends these matters and while the ultimate outcome of these lawsuits are not final, the Company's management, as of December 31, 2012, estimates that these matters will be resolved without a material adverse effect on the Company's future financial position or results of operations.

Where available information indicates that it is probable that a loss has been incurred as of the date of statutory basis financial statements and can reasonably estimate the amount of that loss, the Company will accrue the estimated loss. As of December 31, 2012 and 2011, the Company recorded in General Expenses Due or Accrued, approximately $24,362,000 and $31,491,000, respectively for all probable losses.

15. LEASES

During 2011, the Company paid-off all its sale-leaseback obligations entered into prior to December 31, 2010.

The Company leases certain computer equipment and office space under various non-cancelable operating leases. Rental expense for the periods ending December 31, 2012 and December 31, 2011 was $16,855,000 and $8,893,000, respectively. As of December 31, 2012, future minimum lease payments, which include the EIN lease, are as follows:

Years Ending December 31	
2013	14,769,000
2014	13,998,000
2015	12,845,000
2016	13,232,000
2017	13,794,000
2018 and thereafter	72,619,000
Total	$ 141,257,000

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK – NOT APPLICABLE

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES –

A. Transfers of Receivables Reported as Sales – NOT APPLICABLE

B. Transfer and Servicing of Financial Assets

The Company, in the normal course of business, enters into security lending agreements with a custodian bank. Under this agreement, the Company lends equity and bond securities in exchange for collateral, approximating at least 102% of the value of the securities loaned. Cash collateral is invested by the custodian bank in commingled trusts. The security lending agreements are primarily overnight in nature and subject to renewal or termination.

Fair value of loaned securities as of December 31, 2012 and 2011, consists of the following:

	2012	**2011**
Bonds	$ 13,040,875	$ 19,075,000
Equity	4,230,016	8,004,000
Total	$ 17,270,891	$ 27,079,000

Collateral received as of December 31, 2012 and 2011, consists of the following:

	2012	**2011**
Cash collateral	$ 17,620,770	$ 27,655,000

Reinvested cash collateral as of December 31, 2012 and 2011, consists of the following:

	2012	
	Book/Adjusted Carrying Value	**Fair Value**
Commingled trust — liquidity	$ 3,465,604	$ 3,423,575
Commingled trust — duration	14,155,166	13,939,940
Total reinvested	$ 17,620,770	$ 17,363,515

	2011 Book/Adjusted Carrying Value	2011 Fair Value
Commingled trust — liquidity	$ 7,616,000	$ 7,614,000
Commingled trust — duration	20,039,000	19,349,000
Total reinvested	$ 27,655,000	$ 26,963,000

C. Wash Sales – NOT APPLICABLE

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

A. ASO Plans – NOT APPLICABLE

B. ASC Plans - The loss from operations of administrative service contracts (ASC) uninsured plans and the uninsured portion of partially insured plans (ASC plans with stop loss coverage) for the period ended December 31, 2011, are as follows:

	ASC Plans without StopLoss	ASC Plans With StopLoss	Total
Gross reimbursement for medical cost incurred	$ 3,989,788,524	$ 6,270,992,106	$ 10,260,780,630
Gross administrative fees accrued	336,631,531	550,379,098	887,010,629
Gross expenses incurred (claims and administrative)	4,394,423,656	6,931,397,211	11,325,820,866
Total net gain (loss) from operations	$ (68,003,600)	$ (110,026,007)	$ (178,029,607)

Net Underwriting Gain(Loss)	**Insured**	**ASC**	**Total**
Premiums fees and reimbursements	$ 6,412,685,175	$ 11,147,791,259	$ 17,560,476,434
Claims Incurred	5,598,867,238	10,260,780,630	15,859,647,869
Administrative Expenses	893,410,330	1,065,040,236	1,958,450,566
Total Operating Expenses	6,492,277,568	11,325,820,866	17,818,098,434
Underwriting Loss before PDR	(79,592,392)	(178,029,607)	(257,622,001)
Premium Deficiency Reserve	36,643,753	-	36,643,753
Underwriting Loss After PDR	$ (42,948,638)	$ (178,029,607)	$ (220,978,245)

The (loss) gain from operations of administrative service contracts (ASC) uninsured plans and the uninsured portion of partially insured plans for the period ended December 31, 2011, are as follows:

	ASC Plans without StopLoss	ASC Plans With StopLoss	Total
Gross reimbursement for medical cost incurred	$ 3,955,754,528	$ 5,903,457,381	$ 9,859,211,909
Gross administrative fees accrued	328,080,952	491,716,331	819,797,283
Gross expenses incurred (claims and administrative)	4,320,703,643	6,465,749,070	10,786,452,712
Total net gain (loss) from operations	$ (36,868,163)	$ (70,575,358)	$ (107,443,519)

Net Underwriting Gain(Loss)	**Insured**	**ASC**	**Total**
Premiums fees and reimbursements	$ 6,395,397,758	$ 10,679,009,193	$ 17,074,406,951
Claims Incurred	5,556,566,983	9,859,211,909	15,415,778,892
Administrative Expenses	843,326,914	927,240,803	1,770,567,717
Total Operating Expenses	6,399,893,897	10,786,452,712	17,186,346,609
Underwriting Loss before PDR	(4,496,140)	(107,443,519)	(111,939,658)
Premium Deficiency Reserve	63,103,000	-	63,103,000
Underwriting Loss After PDR	$ 58,606,861	$ (107,443,519)	$ (48,836,658)

D. Medicare or Similarly Structured Cost Based Reimbursement Contract – NOT APPLICABLE

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS - NOT APPLICABLE

20. FAIR VALUE MEASUREMENTS

A. Inputs Used for Assets and Liabilities Measured and Reported at Fair Value

1. Items Measured and Reported at Fair Value by levels 1, 2 and 3

The Company and its investment managers determine fair values by applying the following guidelines. If available, the Company uses market prices in active markets for identical assets and classifies these assets as Level 1. When market prices for identical financial instruments in an active market are not available, the Company estimates fair value based on quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets, and/or inputs derived from observable market data, and classifies these assets as Level 2. In situations where there is little or no market activity for same or similar financial instruments, the Company estimates fair value using its own assumptions about future cash flows and appropriate risk-adjusted discount rates and classifies these assets as Level 3.

Commingled international equity funds are recorded at fair value based on the underlying investments in the funds which consist primarily of securities with quoted market prices in active markets. As a result, such funds have been classified as level 2 investments.

The Company's assets and liabilities measured and recorded at fair value as of December 31, 2012, are as follows:

Description of each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
a. Assets at fair value				
Common Stock				
Industrial and Miscellaneous	$ 741,447,162			$ 741,447,162
Total Common Stocks	$ 741,447,162	$ -	$ -	$ 741,447,162
Other				
Commingled International Equity Funds		$ 58,403,351		$ 58,403,351
Private Mutual Fund		$ 19,418,948		$ 19,418,948
Total Other	$ -	$ 77,822,299	$ -	$ 77,822,299
Security Lending Collateral				
Security Lending Quality Trust - Liquidity		$ 3,423,575		$ 3,423,575
Security Lending Quality Trust - Duration		$ 13,939,940		$ 13,939,940
Total Security Lending Collateral	$ -	$ 17,363,515	$ -	$ 17,363,515
Total assets at fair value	$ 741,447,162	$ 95,185,814	$ -	$ 836,632,976
b. Liabilities at fair value				
				$ -
Total liabilities at fair value	$ -	$ -	$ -	$ -
Total assets and liabilities at fair value	$ 741,447,162	$ 95,185,814	$ -	$ 836,632,976

During the current year the Company transferred of $19,418,948 of securities valued using the net asset value method from Level 1 to Level 2.

The Company's assets and liabilities measured and recorded at fair value as of December 31, 2011, are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Lack of Observable Inputs (Level 3)**	**Total Fair Value**
Bonds				
U.S. Governments	$ -	$ 49	$ -	$ 49
Total bonds	-	49	-	49
Common Stock				
Industrial and miscellaneous	652,410,821	-	-	652,410,821
Total common stock	652,410,821	-	-	652,410,821
Commingled international equity funds	-	49,310,978	-	49,310,978
Total investments	$ 652,410,821	$ 49,311,027	$ -	$ 701,721,848

2. Roll forward of Level 3 Items

The Company has no assets measured and recorded at fair value in the Level 3 category at December 31, 2012 or December 31, 2011. The table below reflects this statement.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	CDDO	Auction-Rate Securities	Other	Total
Balance at January 1, 2011	$ -	$ -	$ -	$ -
Transfers into Level 3				-
Transfer out of Level 3				-
Total Gains (Losses) Included in Net Income				-
Total Gains (Losses) Included in Surplus				-
Purchases				-
Issurances				-
Sales				-
Settlements				-
Ending balance at December 31, 2011	$ -	$ -	$ -	$ -
Balance at January 1, 2012	$ -	$ -	$ -	$ -
Transfers into Level 3				-
Transfer out of Level 3				-
Total Gains (Losses) Included in Net Income				-
Total Gains (Losses) Included in Surplus				-
Purchases				-
Issurances				-
Sales				-
Settlements				-
Ending balance at December 31, 2012	$ -	$ -	$ -	$ -

3. Policy on Transfers Into and Out of Level 3

Transfers between levels may occur due to changes in the availability of market observable inputs. Transfers in and/or out of any level are assumed to occur at the end of the period. During the current year, no transfers into or out of Level 3 were required.

4. Inputs and Techniques Used for Level 2 and Level 3 Fair Values

Transfers into Level 3 - Assets and liabilities are transferred into Level 3 when a significant input can no longer be corroborated with market observable data. This occurs when market activity related to particular securities becomes unobservable. Transfers into Level 3 are reflected as if they had occurred at the end of the period. Loan-backed securities are stated at amortized cost. Premiums and discounts on loan-backed bonds and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker-dealer survey values or internal estimates. Changes in estimated cash flows from the original purchases assumptions are accounted for using the prospective method.

5. Derivative Fair Values - NOT APPLICABLE

B. Other Fair Value Disclosures – NOT APPLICABLE

C. Fair Values for All Financial Instruments by Levels 1, 2 and 3.

The table below reflects the fair values and admitted values of all admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (subsidiaries and joint ventures). The fair values are also categories into the three-level fair value hierarchy as described above in Note 20A.

Type of Financial Instrument	Fair Value	Admitted Value	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Financial Instrument - Assets						
Bonds	3,399,074,528	3,217,026,015	638,244,495	2,740,050,323	20,779,710	
Preferred stock	2,416,730	1,567,364		2,416,730		
Common Stock	741,447,162	741,447,162	741,447,162			
Cash, cash equivalents and short tem investments	514,868,738	514,868,738	514,868,738			
Private Mutual Fund	19,418,948	19,418,948		19,418,948		
Commingled International Equity Funds	58,403,351	58,403,351		58,403,351		
	4,735,629,457	4,552,731,578	1,894,560,395	2,820,289,352	20,779,710	-
Security Lending Collateral						
Security Lending Quality Trust-Liquidity	3,423,575	3,465,604	-	3,423,575		
Security Lending Quality Trust-Duration	13,939,940	14,155,166	-	13,939,940		
Total Security Lending Collateral	17,363,515	17,620,770	-	17,363,515	-	-
Total assets at fair value	4,752,992,972	4,570,352,348	1,894,560,395	2,837,652,867	20,779,710	-
b. Liabilities at fair value						
Derivative liabilities	-	-	-	-	-	-
Total liabilities at fair value	-	-	-	-	-	-
Total assets and liabilities at fair value	4,752,992,972	4,570,352,348	1,894,560,395	2,837,652,867	20,779,710	-

D. Financial Instruments Not Practicable to Estimate Fair Values.

The Company held no securities at December 31, 2012 where it was not practicable to determine the fair value of the investment.

21. OTHER ITEMS

A. Extraordinary Items – NOT APPLICABLE

B. Troubled Debt Restructuring – NOT APPLICABLE

C. Other Disclosures:

Blue Cross Blue Shield Association ("BCBSA") Deposit - As part of its Blue Cross Blue Shield Association (“BCBSA”) license requirements, the Company is required to maintain a custodial bank account to assure the payment of claims in the event of the Company’s insolvency. The account balance is calculated as a percentage of the Company’s unpaid claim liability and consists primarily of marketable securities. The funds in the account are included in the Company’s investment portfolio. The Company has the ability to trade and transfer securities within the account as long as the balance in the account is at or above the required minimum. The required balance for the period April 1, 2012 through March 31, 2013, is $129,800,000. At December 31, 2012, the balance in this custodial account was $171,380,804.

National Health Care Reform - In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were enacted (collectively, these laws are known as the PPACA or the ACA). The structure of reform changes the fundamentals of health care and health insurance dynamics, including coverage requirements; insurance rules around issuance, rating, competition; and regulatory and compliance requirements.

The establishment of a minimum medical loss ratio (MLR) took effect in January 2011. Other significant changes, which will take effect over a multi-year period, with many important provisions taking effect in 2014, include: prohibiting health insurers from denying coverage or refusing claims based on preexisting conditions, expanding Medicaid eligibility, subsidizing individual market and certain small group insurance premiums, providing incentives for businesses to provide health care benefits, establishing health insurance exchanges, makes various changes to Medicare payment formulas, and provides support for public health and medical research.

The Company is preparing for open enrollment in the Exchange in October 2013 and will be there to support customers and members as potential shifts occur in how health care is purchased. Certain provisions of the PPACA require state action and implementation. The State of Michigan has developed a strategic plan to implement the PPACA. OFIR has been working with the Michigan Legislature to enact specific amendments to the Michigan Insurance Code that will provide state authority to enforce consumer protections enacted under the Federal law.

Reclassification – In 2012, other invested assets (reported in Schedule BA) aggregating $20,220,545 were moved to preferred and common stocks in Schedule D Part 2 Section 1 and Schedule D Part 2 Section 2, respectively.

D. Uncollectible Assets on Uninsured plans

At December 31, 2012 and 2011, the Company had admitted assets of $143,163,223 and $80,417,630, respectively in accounts receivable for uninsured plans. The Company regularly assesses the collectability of these receivables. At December 31, 2012, less than 1 percent of the balance may be uncollectible.

E. Business Interruption Insurance Recoveries – NOT APPLICABLE

F. State Transferable Tax Credits - NOT APPLICABLE

G. Subprime Mortgage Related Risk Exposure – NOT APPLICABLE

22. EVENTS SUBSEQUENT

Management has evaluated all events subsequent to the Statement of Admitted Assets, Liabilities, and Surplus date of December 31, 2012, through the date of its Annual Statement filing of March 1, 2013, and has determined that there are no subsequent events that require disclosure under SSAP No. 9R, *Subsequent Events*.

23. REINSURANCE

The Company terminated its reinsurance agreement in July 2011.

24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

A. The company establishes a liability for experience rated group contracts and portions of Medicare Part D prescription drug contracts as a result of favorable experience based on an actuarial estimate of underwriting gains which will be returned to customers, either as cash refunds or future rate reductions. Liabilities for experience contracts were $222,575,039 and $324,914,341 at December 31, 2012 and December 31, 2011, respectively.

B. Under terms of most of the experience-rated contracts, recovery, if any, of underwriting losses through future rate increases is not recognized until received.

C. During 2012 and 2011, net premiums written that are subject to retrospective rating features were $1,623,750,765 and $1,843,379,019, respectively, which represents 25% and 28%, respectively of total net premiums written for both years.

D. Medical Loss Ratio Rebates Required Pursuant to the Public Health Service Act – The Company has not established a rebate liability as all MLR ratios are above required minimum thresholds.

25. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

This estimate is based upon historical claims experience modified for current trends and changes in benefit coverage, which could vary as the claims are ultimately settled. Processing expenses related to claims is accrued based on an estimate of expenses to process such claims. Revisions in actuarial estimates are reported in the period in which they arise. As of December 31, 2012, $509,617,803 has been paid for incurred claims attributable to prior years. Reserves remaining for prior years as of December 31, 2012 were $5,173,199.

26. INTER-COMPANY POOLING ARRANGEMENTS – NOT APPLICABLE

27. STRUCTURED SETTLEMENTS – NOT APPLICABLE

28. HEALTH CARE RECEIVABLES

The Company receives pharmaceutical rebates from third-party pharmacy benefit managers. Rebate accruals are calculated using recent history of rebates received to develop an estimate. Activity for 2010–2012 is summarized as follows:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
December 31, 2012	$ 28,784,000	$ -	$ -	$ -	$ -
September 30, 2012	27,905,000	31,264,000		-	-
June 30, 2012	30,220,000	24,733,000	24,733,000	-	-
March 31, 2012	29,367,000	29,367,000	29,367,000	-	-
December 31, 2011	31,726,000	31,266,000	31,266,000	-	-
September 30, 2011	28,147,000	28,608,000	28,608,000	-	-
June 30, 2011	28,501,000	30,361,000	30,361,000	-	-
March 31, 2011	26,416,000	27,416,000	27,416,000	-	-
December 31, 2010	31,022,000	31,022,000	31,022,000	-	-
September 30, 2010	30,925,000	30,925,000	30,925,000	-	-
June 30, 2010	29,740,000	30,837,000	30,837,000	-	-
March 31, 2010	29,740,000	29,041,000	29,041,000	-	-

29. PARTICIPATING POLICIES – NOT APPLICABLE

30. PREMIUM DEFICIENCY RESERVES

SSAP No. 54 requires companies to record an additional liability known as a PDR when expected claim payments or incurred costs, claim adjustment expenses, and administration costs exceed the premiums to be collected for the remainder of a contract period.

As noted in Note 1, a state-prescribed practice was issued by OFIR, which limits the PDR for the Company's individual lines of business to no more than two years. At December 31, 2012 and 2011, if such limit was not in place, an additional liability of $202,517,000 and $224,127,000, respectively, would be recorded in the statutory basis financial statements.

PDR (included in aggregate health policy reserves) as of December 31, 2012 and 2011, consist of the following:

	Balance January 1, 2012	Additional Reserve	Amortization	Balance December 31, 2012
MIChild	$ 11,828,000	$ 15,242,000	$ 15,445,000	$ 11,625,000
Individual	147,328,000	(23,966,000)	45,177,000	78,185,000
Senior markets	180,087,000	176,202,000	143,498,000	212,791,000
Total	$ 339,243,000	$ 167,478,000	$ 204,120,000	$ 302,601,000

	January 1, 2011	Additional Reserve	Amortization	December 31, 2011
MIChild	$ 10,588,000	$ 15,242,000	$ 14,002,000	$ 11,828,000
Individual	121,037,000	71,471,000	45,180,000	147,328,000
Senior markets	270,722,000	52,864,000	143,499,000	180,087,000
Total	$ 402,347,000	$ 139,577,000	$ 202,681,000	$ 339,243,000

	MIChild	Individual	Senior Markets	Total
2013	$ 11,625,000	$ 78,185,000	$ 98,922,000	$ 188,732,000
2014			113,869,000	113,869,000
Total	$ 11,625,000	$ 78,185,000	$ 212,791,000	$ 302,601,000

The MIChild PDR was established for the anticipated losses for the contract period in effect ending September 30, 2013, on the state-sponsored insurance program, which provides health and dental benefits for uninsured children of Michigan's working families. The outstanding receivable balances for excess losses were $24,333,000 and $35,050,000 as of December 31, 2012 and 2011, respectively.

Under the provisions of PA 350, the Company operates as the insurer of last resort for the residents of Michigan and must provide and renew coverage for all applicants regardless of health status. In addition, the Company is required to provide health coverage to senior citizens of Michigan at below market subsidized premium rates. Premium rates require prior approval of the State Insurance Commissioner and are reviewed by the Attorney General.

The PDR for the Company's individual business was established for anticipated losses primarily due to expected future premium rate increases approved by OFIR being insufficient to cover anticipated benefit trends and medical costs. The Company is projecting losses in this product line for 2013 and is assuming that 2014 membership will be in new policies and not subject to the PDR calculations.

The PDR for the Company's Senior Segment (Medicare Complementary and Medicare Advantage) was established for anticipated losses due to the expectation that for several years future Medicare Complementary premium rates and subsidy transfer will be insufficient to cover anticipated benefit costs. Currently, premium rates for the Medicare Complementary products are capped pursuant to an agreement with the Michigan Attorney General through July 31, 2016.

The Senior Segment PDR recorded at December 31, 2012 reflects the loss obligations for years 2013 and 2014 that are expected to be realized in the Senior Segment for the Medicare complimentary policies that are currently issued given the guarantee renewal of these policies.

Significant increases in membership could occur in the Medicare Complementary product due to the guarantee issue requirement and below market premium rates. The current Senior Segment PDR liability does not include an obligation for future enrollment of new members. Significant increases in membership would result in future losses that could be material.

31. ANTICIPATED SALVAGE AND SUBROGATION

The Company took into account estimated anticipated salvage and subrogation in its determination of the liability for unpaid claims/losses and reduced such liability by $9,152,000 and $5,561,108 for 2012 and 2011, respectively.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES - GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State regulating? Michigan

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12.31/2010

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2010

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/07/2012

3.4 By what department or departments?

Michigan Office of Financial and Insurance Regulation

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [ ] No [ ] N/A [X]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] N/A [ ]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

- 4.11 sales of new business? Yes [ ] No [X]
- 4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

- 4.21 sales of new business? Yes [ ] No [X]
- 4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Co. Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]

6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,

- 7.21 State the percentage of foreign control ....%
- 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Deloitte & Touche, Suite 3900, 200 Renaissance Center, Detroit, Michigan 48243-1704

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]

10.2 If the response to 10.1 is yes, provide information related to this exemption:

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

10.4 If the response to 10.3 is yes, provide information related to this exemption:

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [ ] N/A [ ]

10.6 If the answer to 10.5 is no or n/a, please explain.

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Dave Nelson FSA MAAA Vice President and Chief Actuary Blue Cross Blue Shield of Michigan, 600 E. Lafayette, MC 2010, Detroit, Michigan 48226

GENERAL INTERROGATORIES

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]

12.11 Name of real estate holding company

12.12 Number of parcels involved ....

12.13 Total book/adjusted carrying value ....

12.2 If yes, provide explanation.

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code.

14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount

PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No [ ]

17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No [ ]

18. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

PART 1 - COMMON INTERROGATORIES - FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers $.....................................0

20.12 To stockholders not officers $.....................................0

20.13 Trustees, supreme or grand (Fraternal only) $.....................................0

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers $.....................................0

20.22 To stockholders not officers $.....................................0

20.23 Trustees, supreme or grand (Fraternal only) $.....................................0

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others ....

21.22 Borrowed from others ....

21.23 Leased from others ....

21.24 Other ....

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment ....

22.22 Amount paid as expenses ....

22.23 Other amounts paid ....

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. $.....................................0

PART 1 - COMMON INTERROGATORIES - INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)? Yes [X] No [ ]

PART 1 - COMMON INTERROGATORIES - INVESTMENT

24.02 If no, give full and complete information relating thereto.

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 17 where this information is also provided).
Refer to Note 17

24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No [ ] N/A [ ]
24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. $................17,620,770
24.06 If answer to 24.04 is no, report amount of collateral for other programs. ....
24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [X] No [ ] N/A [ ]
24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [X] No [ ] N/A [ ]
24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [X] No [ ] N/A [ ]
24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. $................17,363,515
24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. $................17,620,770
24.103 Total payable for securities lending reported on the liability page. $................17,620,770

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03) Yes [ ] No [X]
25.2 If yes, state the amount thereof at December 31 of the current year:
25.21 Subject to repurchase agreements ....
25.22 Subject to reverse repurchase agreements ....
25.23 Subject to dollar repurchase agreements ....
25.24 Subject to reverse dollar repurchase agreements ....
25.25 Pledged as collateral ....
25.26 Placed under option agreements ....
25.27 Letter stock or securities restricted as to sale ....
25.28 On deposit with state or other regulatory body ....
25.29 Other ....
25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]
26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]
27.2 If yes, state the amount thereof at December 31 of the current year: ....
28. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]
28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
State Street Bank & Trust	801 Pennsylvania Kansas City, MO 64105
Federal Home Loan Bank of Indianapolis	8250 Woodfield Crossing, Indianapolis IN 46240
Fidelity Investments	100 Magellan Way, Covington, KY41015

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [X]
28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
105377	Loomis Sayles	One Financial Center, Boston, MA 02111
106810	Munder Capital Management	480 Pierce St. Birmingham, MI 48009-6059
108518	Snyder Capital Management, LP	One Market Plaza,Steuart Tower,Suite1200, San
110441	Western Asset Managemenet Co.	385 East Colorado Blvd, Pasadena CA 91101
50584	Piedmont Investment Advisors, LLC	411 West Chapel Hill Street,Suite 1100,Durham,N
113538	Herndon Capital	Herndon Plaza, 100 Auburn Ave. NE Atlanta, GA
106357	Thornburg Investment Management	2300 North Ridgetop Road, Santa Fe, NM 87506
111298	Arrowstreet Capital, Limited Partnership	200 Clarendon Street, 30th Floor, Boston, MA 02

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [X] No [ ]
29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj.Carrying Value
78462F 10 3	Spy Exchange Traded Funds	149,723,750
722005 62 6	PIMCO All Asset Fund	18,435,324
00769G 77 4	Advisors Inner Circle	19,418,948
464287 48 1	Ishares Russell Midcap Growth	1,921,680
29.2999. TOTAL		189,499,702

PART 1 - COMMON INTERROGATORIES - INVESTMENT

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation
Spy Exchange Traded Funds	Apple	4,725,281	12/31/2012
PIMCO All Assets	None - Fund of Funds		12/31/2012
Ishares Russell Midcap Growth	Crown Castle International	20,178	12/31/2012
Advisors Inner Circle	GSMS 2007- GG10 AM	802,003	12/31/2012

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	3,828,841,546	4,010,890,051	182,048,505
30.2 Preferred stocks	11,973,419	12,822,786	849,367
30.3 Totals	3,840,814,964	4,023,712,837	182,897,873

30.4 Describe the sources or methods utilized in determining the fair values:
NAIC/SVO Custodians and Bloomberg

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No [ ]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No [ ]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D.

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

32.2 If no, list exceptions:

PART 1 - COMMON INTERROGATORIES - OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $4,404,340

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Blue Cross Blue Shield Association	4,283,972

34.1 Amount of payments for legal expenses, if any? $28,342,252

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Hunton & Williams LLP	10,283,887

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $402,414

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [X] No [ ]

1.2 If yes, indicate premium earned on U.S. business only $..................305,226,360

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $....................................0

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $....................................0

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $..................460,094,533

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $..................305,226,360

1.62 Total incurred claims $..................460,094,533

1.63 Number of covered lives 211,056

All years prior to most current three years:

1.64 Total premium earned $....................................0

1.65 Total incurred claims $....................................0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned $....................................0

1.72 Total incurred claims $....................................0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned $....................................0

1.75 Total incurred claims $....................................0

1.76 Number of covered lives 0

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	6,319,342,469	6,439,147,298
2.2 Premium Denominator	6,319,342,469	6,439,147,298
2.3 Premium Ratio (2.1/2.2)	..........................100.0	...............................100.0
2.4 Reserve Numerator	1,399,713,510	1,438,233,717
2.5 Reserve Denominator	1,399,713,510	1,438,233,717
2.6 Reserve Ratio (2.4/2.5)	..........................100.0	...............................100.0

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, and if the earnings of the reporting entity permits? Yes [ ] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No [ ]

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [X] No [ ]

5.1 Does the reporting entity have stop-loss reinsurance? Yes [ ] No [X]

5.2 If no, explain:

Blue Cross Blue Shield of Michigan does not utilize stop-loss reinsurance due to the size and stability of the business and sufficient levels of capitalization

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive medical $....................................0

5.32 Medical only $....................................0

5.33 Medicare supplement $....................................0

5.34 Dental and vision $....................................0

5.35 Other limited benefit plan $....................................0

5.36 Other $....................................0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Maintain a restricted custodial bank account determined on the basis of a formula set by BCBSA and continuation insurance coverage with Collins and Associates.

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes [ ] No [X]

7.2 If no, give details:

Claim Liabilities are based on paid/incurred claims triangulation

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year 44,984

8.2 Number of providers at end of reporting year 46,803

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [X] No [ ]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months $....................................0

9.22 Business with rate guarantees over 36 months $....................................0

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts? Yes [X] No [ ]

10.2 If yes:

10.21 Maximum amount payable bonuses $....................46,513,938

10.22 Amount actually paid for year bonuses $....................46,513,938

10.23 Maximum amount payable withholds $....................................0

10.24 Amount actually paid for year withholds $....................................0

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [ ] No [X]

11.13 An Individual Practice Association (IPA), or Yes [ ] No [X]

11.14 A Mixed Model (combination of above)? Yes [ ] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [ ] No [X]

11.3 If yes, show the name of the state requiring such net worth.

11.4 If yes, show the amount required. ....

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [ ] No [X]

11.6 If the amount is calculated, show the calculation:

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area

13.1 Do you act as a custodian for health savings account? Yes [ ] No [X]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date. ....

13.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]

13.4 If yes, please provide the balance of the funds administered as of the reporting date. ....

FIVE-YEAR HISTORICAL DATA

	1 2012	2 2011	3 2010	4 2009	5 2008
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	7,469,445,992	6,961,575,260	6,797,622,759	6,182,476,671	5,127,545,355
2. Total liabilities (Page 3, Line 24)	4,408,848,725	4,171,923,308	4,038,155,202	3,620,246,663	2,900,138,842
3. Statutory surplus	3,060,597,267	2,789,651,952	2,759,467,557	2,562,230,008	2,227,406,513
4. Total capital and surplus (Page 3, Line 33)	3,060,597,267	2,789,651,952	2,759,467,557	2,562,230,008	2,227,406,513
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	6,412,685,175	6,395,397,758	6,574,692,435	6,986,393,893	6,806,040,210
6. Total medical and hospital expenses (Line 18)	5,598,867,238	5,556,566,983	5,793,567,136	6,395,751,497	6,107,862,995
7. Claims adjustment expenses (Line 20)	340,387,526	301,665,387	249,703,600	292,544,193	245,471,136
8. Total administrative expenses (Line 21)	731,052,409	649,105,046	562,582,673	542,482,269	482,568,788
9. Net underwriting gain (loss) (Line 24)	(220,978,245)	(48,836,658)	(73,954,974)	(256,501,066)	(20,598,709)
10. Net investment gain (loss) (Line 27)	252,849,819	199,321,082	211,486,689	241,495,372	62,719,392
11. Total other income (Lines 28 plus 29)	(268,260)	(36,115,603)	(23,437,699)	3,248,849	(14,421,621)
12. Net income or (loss) (Line 32)	(2,549,430)	40,011,408	205,229,863	12,579,275	4,124,919
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	224,799,911	286,725,351	167,937,899	(111,885,115)	(72,861,855)
Risk-Based Capital Analysis					
14. Total adjusted capital	3,060,597,267	2,789,651,952	2,759,467,557	2,562,230,008	2,227,406,513
15. Authorized control level risk-based capital	430,364,292	414,539,579	395,551,652	394,335,822	338,214,279
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	1,488,471	1,489,063	1,530,557	1,667,179	1,730,312
17. Total member months (Column 6, Line 7)	17,796,250	17,946,160	18,757,734	20,470,544	20,913,922
Operating Percentage (Page 4) **(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100 .0**					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19)	87.8	86.9	88.1	91.5	89.7
20. Cost containment expenses	2.3	1.7	1.5	1.8	1.4
21. Other claims adjustment expenses	3.1	3.0	2.3	2.4	2.2
22. Total underwriting deductions (Line 23)	104.0	100.8	101.1	103.7	100.3
23. Total underwriting gain (loss) (Line 24)	(3.5)	(0.8)	(1.1)	(3.7)	(0.3)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5)	514,791,002	503,216,022	574,147,051	611,438,173	554,051,907
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	577,316,891	632,573,250	676,209,598	650,538,313	669,330,578
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1)	10,406,056				
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1)	1,563,213,456	1,333,707,057	1,218,983,700	1,149,787,380	993,625,630
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31	1,573,619,512	1,333,707,057	1,218,983,700	1,149,787,380	993,625,630
33. Total investment in parent included in Lines 26 to 31 above					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [ ] No [ ]

If no, please explain:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1	Direct Business Only							
			2	3	4	5	6	7	8	9
	State, Etc.	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama AL	N							0	
2.	Alaska AK	N							0	
3.	Arizona AZ	N							0	
4.	Arkansas AR	N							0	
5.	California CA	N							0	
6.	Colorado CO	N							0	
7.	Connecticut CT	N							0	
8.	Delaware DE	N							0	
9.	District of Columbia DC	N							0	
10.	Florida FL	N							0	
11.	Georgia GA	N							0	
12.	Hawaii HI	N							0	
13.	Idaho ID	N							0	
14.	Illinois IL	N							0	
15.	Indiana IN	N							0	
16.	Iowa IA	N							0	
17.	Kansas KS	N							0	
18.	Kentucky KY	N							0	
19.	Louisiana LA	N							0	
20.	Maine ME	N							0	
21.	Maryland MD	N							0	
22.	Massachusetts MA	N							0	
23.	Michigan MI	L	5,060,249,485	885,234,016		373,858,968			6,319,342,469	
24.	Minnesota MN	N							0	
25.	Mississippi MS	N							0	
26.	Missouri MO	N							0	
27.	Montana MT	N							0	
28.	Nebraska NE	N							0	
29.	Nevada NV	N							0	
30.	New Hampshire NH	N							0	
31.	New Jersey NJ	N							0	
32.	New Mexico NM	N							0	
33.	New York NY	N							0	
34.	North Carolina NC	N							0	
35.	North Dakota ND	N							0	
36.	Ohio OH	N							0	
37.	Oklahoma OK	N							0	
38.	Oregon OR	N							0	
39.	Pennsylvania PA	N							0	
40.	Rhode Island RI	N							0	
41.	South Carolina SC	N							0	
42.	South Dakota SD	N							0	
43.	Tennessee TN	N							0	
44.	Texas TX	N							0	
45.	Utah UT	N							0	
46.	Vermont VT	N							0	
47.	Virginia VA	N							0	
48.	Washington WA	N							0	
49.	West Virginia WV	N							0	
50.	Wisconsin WI	N							0	
51.	Wyoming WY	N							0	
52.	American Samoa AS	N							0	
53.	Guam GU	N							0	
54.	Puerto Rico PR	N							0	
55.	U.S. Virgin Islands VI	N							0	
56.	Northern Mariana Islands MP	N							0	
57.	Canada CAN	N							0	
58.	Aggregate Other alien OT	XXX	0	0	0	0	0	0	0	0
59.	Subtotal	XXX	5,060,249,485	885,234,016	0	373,858,968	0	0	6,319,342,469	0
60.	Reporting entity contributions for Employee Benefit Plans	XXX							0	
61.	Total (Direct Business)	(a) 1	5,060,249,485	885,234,016	0	373,858,968	0	0	6,319,342,469	0

DETAILS OF WRITE-INS

	2	3	4	5	6	7	8	9
58001.							0	
58002.							0	
58003.							0	
58998. Summary of remaining write-ins for line 58	0	0	0	0	0	0	0	0
58999. Total (Lines 58001 thru 58003 + 58998)	0	0	0	0	0	0	0	0

(L) - Licensed or Chartered - Licensed Insurance Carrier or Domicilied RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;
(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, premiums by state, etc.

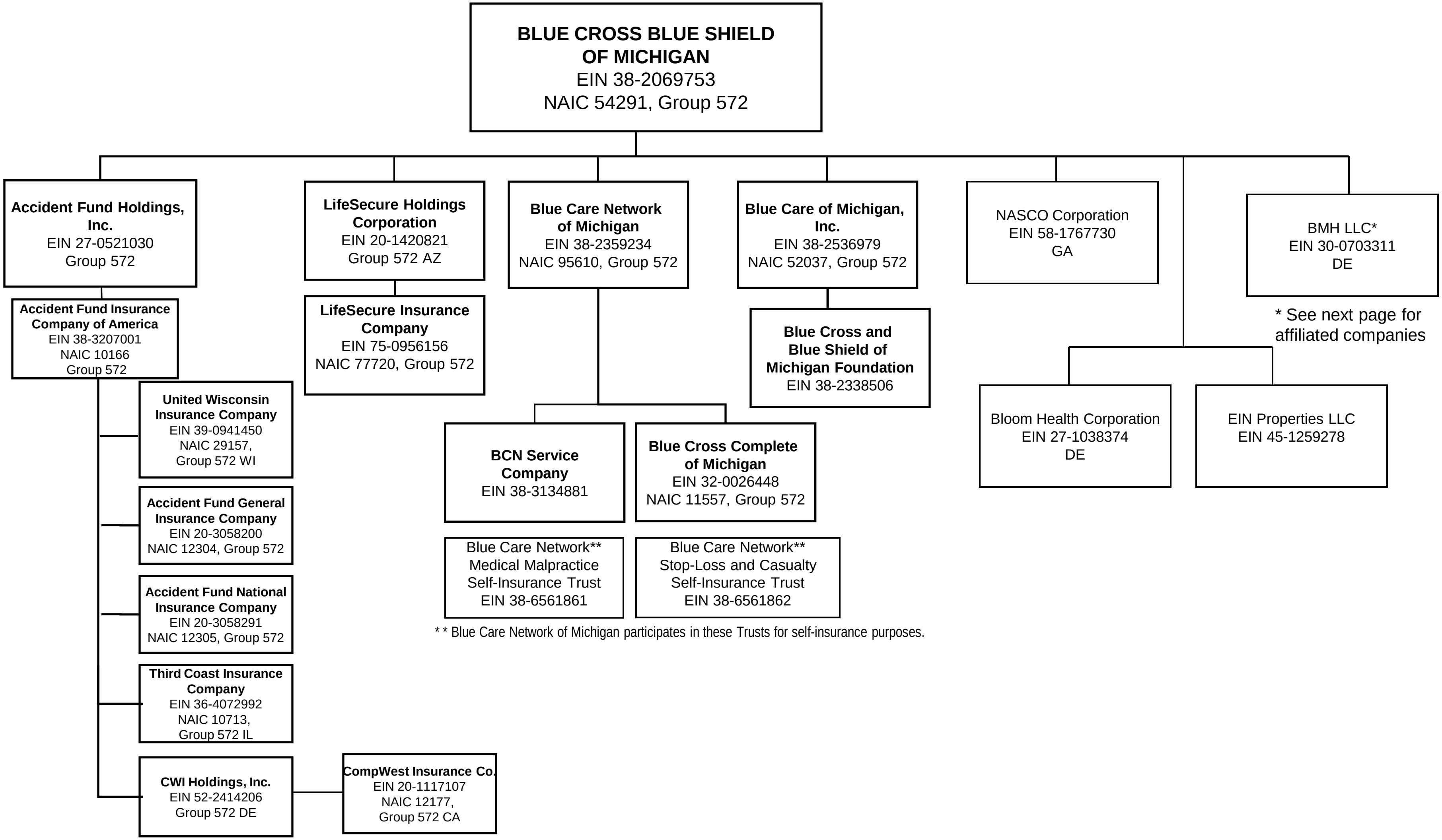
All Premiums Written on Michigan

(a) Insert the number of L responses except for Canada and Other Alien.

Blue Cross Blue Shield of Michigan

A nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association

SUBSIDIARY & AFFILIATE ORGANIZATION CHART



Reporting: 1/11/13 rev. All entities that do not reflect a particular state name or abbreviation are domiciled in Michigan.

Blue Cross Blue Shield of Michigan

A nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association

BLUE CROSS BLUE SHIELD OF MICHIGAN
SUBSIDIARY & AFFILIATE ORGANIZATION CHART

BMH LLC*
DE limited liability company
FEIN: 30-0703311

BMH SUBCO I LLC
DE limited liability company
FEIN: 30-0703311

BMH SUBCO II LLC
DE limited liability company
FEIN: 80-0768643

AmeriHealth Mercy Services LLC
DE limited liability company
FEIN: 45-5415725

Keystone Mercy Health Plan
PA general partnership
FEIN: 23-2842344

AmeriHealth Mercy Health Plan
PA general partnership
FEIN: 23-2859523

AmeriHealth Mercy of Louisiana, Inc.
LA business corporation
FEIN: 227-3575066
NAIC Code: 14143

Select Health of South Carolina, Inc.
SC business corporation
FEIN: 57-1032456
NAIC Code: 95458

Select Health of Georgia, Inc.
GA business corporation
FEIN: 20-2467931

Shore Points AmeriHealth Mercy of Louisiana, LLC
LA limited liability company
FEIN: 77-0632420

AmeriHealth Northeast, LLC
PA limited liability company
FEIN: 45-4244113

AmeriHealth Mercy of Indiana, Inc.
IN business corporation
FEIN: 20-4948091

PerformRx, LLC
PA limited liability company
FEIN: 27-0863878

AmeriHealth Mercy Perform RX IPA of NY, LLC
NY limited liability company
FEIN: 26-1809217

AmeriHealth Nebraska, Inc.
NE business corporation
FEIN: 45-3790685
NAIC Code: 14261

Florida True Health, Inc.
FL business corporation
FEIN: 45-4088232
NAIC Code: 14378

AMHP Holdings Corp.
PA business corporation
FEIN: 26-1144363

Community Behavioral Healthcare Network of Pennsylvania, Inc.
PA business corporation
FEIN: 25-1765391

CBHNP Services, Inc.
PA business corporation
FEIN: 26-0885397
NAIC Code: 13630

Reporting: 1/11/13 rev.

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*Blue Cross Blue Shield of Michigan owns a 38.7% stake of BMH LLC

2012 ALPHABETICAL INDEX
HEALTH ANNUAL STATEMENT BLANK